



Lifetime Financial Partner for Low and Moderate-Income People

2009 Annual Report



KOREA HOUSING FINANCE CORPORATION

Korea Housing Finance Corporation (HF)

is a quasi-government organization. It was founded on March 1, 2004 in accordance with the Korea Housing Finance Corporation Act in order to contribute to the promotion of national welfare and the development of the national economy by promoting stable and long-term supply of housing finance. Since its establishment, HF has been engaged in housing finance business including mortgage securitization, housing finance credit guarantees and reverse mortgage guarantees. It has been leading the sophistication and stable development of Korea's housing finance market.



04

Message from the CEO

07

2009 at a Glance

10

2009 Housing Economy

12

Business Review

Bogeumjari Loan
Securitization
Housing Finance Credit Guarantee
Reverse Mortgage Guarantee

28

Corporate Governance

Housing Finance Management
Committee
Board of Directors
Specialized Subcommittees
Management Committee
Organization

36

Corporate Sustainability

Organizational Culture
Ethical Management
Internal Controls
Risk Management
Social Contribution

44

2009 Financial Review

Summary
Financial Statements

66

History



“As a liquidity provider to financial institutions, stabilizer of the housing market, and agent of housing policy for low and moderate-income citizens, HF showed its true mettle during the financial crisis.”



On behalf of our management and employees, I would like to convey my deepest thanks to the Korean people for their unwavering support and encouragement of Korea Housing Finance Corporation (HF).

Looking back upon 2009, HF faced many difficulties wrought by the global financial crisis and economic uncertainty. Nevertheless, all the employees of HF made its utmost efforts to provide financial support for low and moderate-income families and improve the housing finance market, and we accomplished remarkable results.

Most importantly, HF achieved the best business results since its foundation in every operation from supply of Bogeumjari loans to the issuance of mortgage-backed securities (MBS), the credit guarantees for housing finance, and the guarantees for reverse mortgages (JooTaekYeonKeum).

In the securitization business, HF provided KRW5.9 trillion in Bogeumjari loans, the largest amount since its foundation, helping low and moderate-income households buy their own homes. HF issued KRW11 trillion in asset-backed securities, effectively serving as a reliable funding source in the housing finance market.

In the housing finance credit guarantee business, HF provided a total of KRW9.7 trillion in credit guarantees by focusing on more guarantees for rental deposits (Chonseil) and providing liquidity to construction companies, in the process strengthening the public function. More specifically, HF improved the housing situation for low and moderate-income households and helped stabilize the housing market. In terms of reverse mortgages, HF provided KRW1.7 trillion in guarantees for a total 1,124 senior citizens and made improvements to accelerate the full establishment of the reverse mortgage scheme.

Another notable achievement of HF was reinforcement of its business foundation. It provided a range of new products that are more appealing to the customers and offered better terms.

Among these are Bogeumjari loans with the interest rate switch option, variable-rate MBS, mortgage-MBS swap transactions for banks' mortgage loans, special guarantees for families with three or more children and newlyweds, a reduction in the late charges on the guarantee fees overdue for low-income families, and a lowering of age requirement for reverse mortgages (JTYK).

HF's paid-in capital reached KRW1 trillion and its business turned a profit. We at HF reliably managed the Housing Finance Credit Guarantee Fund and successfully increased its base capital, and with the understanding and sacrifice of our employees, we managed to take difficult steps to become a top-notch public corporation such as cutting wages and corporate restructuring.

Celebrating our sixth anniversary this year, we at HF would like to renew our commitment to serving the citizens as a housing finance agency and consolidating the foundation for sustainable growth. Above all, we will continue to make significant investments to promote our Bogeumjari loan and reverse mortgage (JTYK), our flagship products, and to make them more readily accessible.

For the Bogeumjari loan, HF will offer a more competitive interest rate and deliver it through more channels, helping long-term fixed-rate mortgages carve out a larger share in the mortgage market. This will in turn improve the structure of the housing finance market which is dominated by adjustable-rate mortgages. It will also improve the housing situation of low and moderate-income citizens and promote stability in the financial markets. For efficient financing of long-term funds, HF will expand the MBS investor base and diversify funding sources.

The reverse mortgage (JTYK), introduced in 2007, will be aggressively marketed and promoted as an important means of security for people in their golden years.

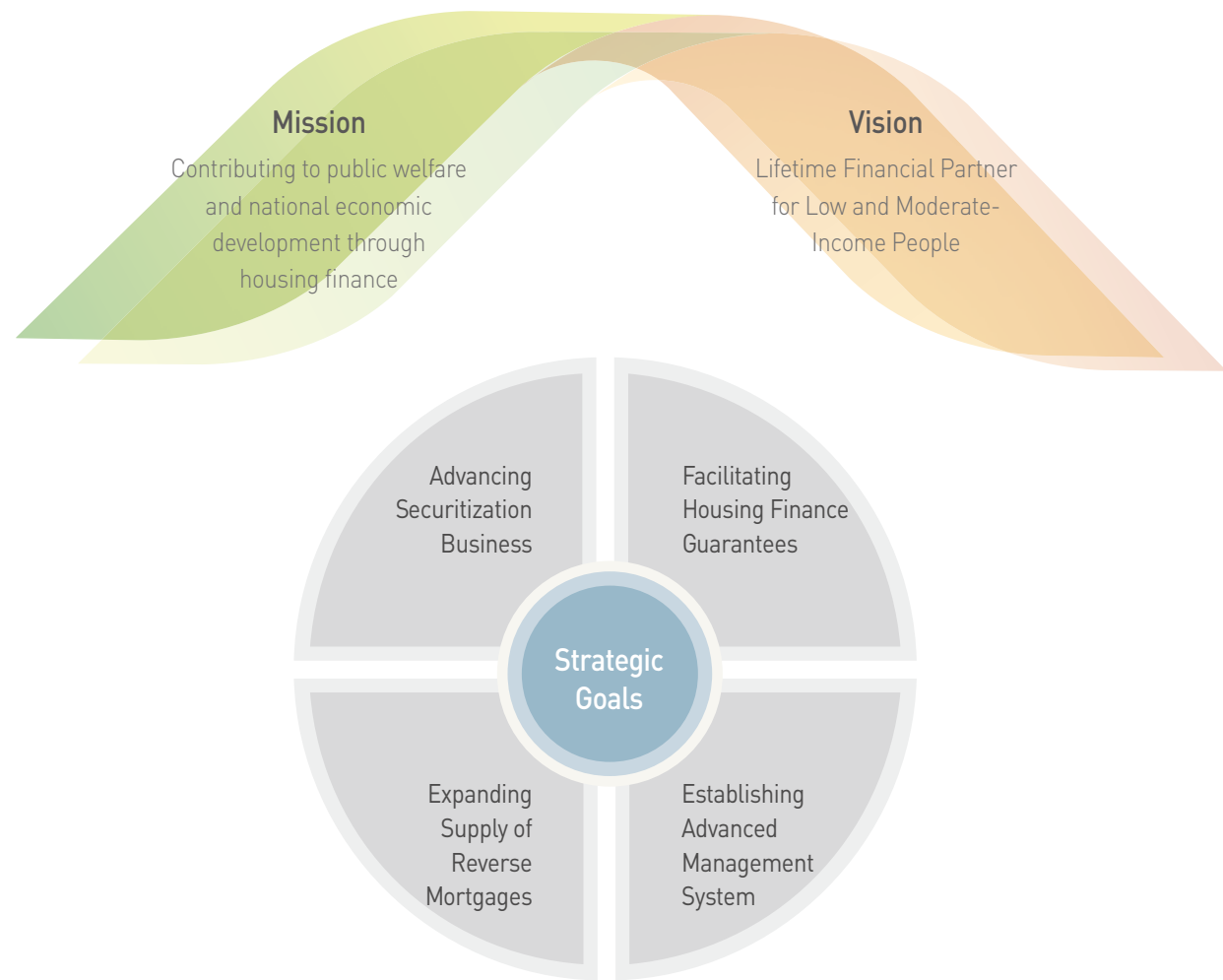
Our management and employees promise to always uphold its four core values: customers first, valuing talented people, integrity, and leadership for change. We intend nothing less than to be "Lifetime Financial Partner for Low and Moderate-Income People" and will continue to make dedicated efforts to become a top-notch public financial corporation that is loved and trusted by the people.

We hope that you will render us your continued interest and support in the future.

Thank you.

Lim, Joo Jae
President & CEO
Korea Housing Finance Corporation

Vision & Strategy



Management Policy

Creative Management
Performance-oriented Management
Future-oriented Management
Ethical Management
Customer Satisfaction Management

Core Values

Customers First
Valuing Talented People
Integrity
Leadership for Change

Code of Conduct

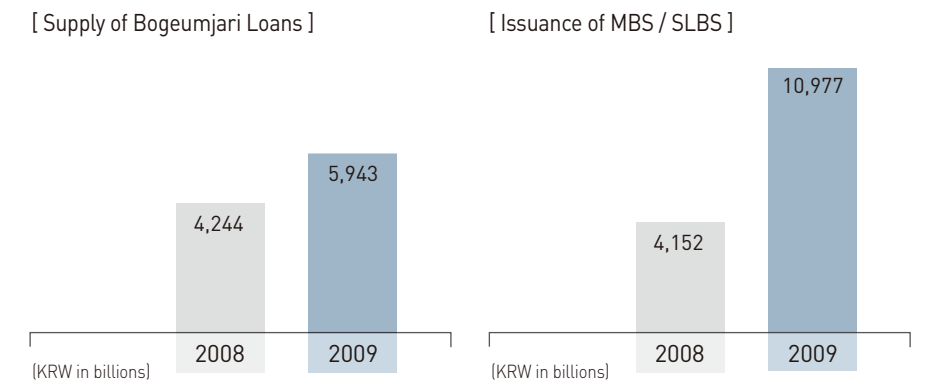
Kindness
Harmony
Faith
Creativity

Organizational Culture

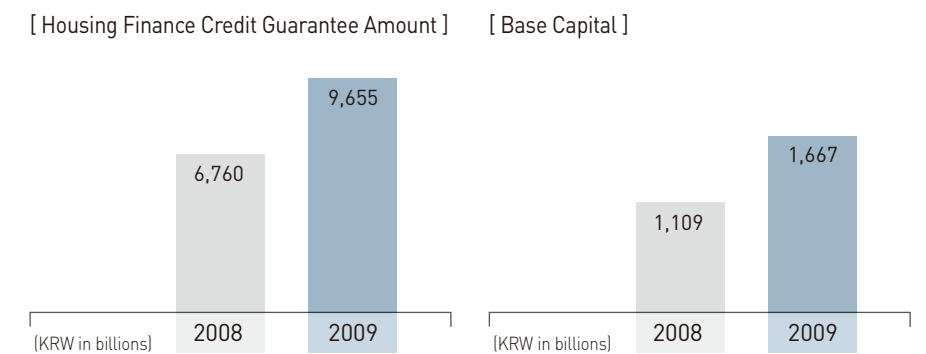
(T.O.P)
Together
Open
Passion

2009 Major Business Results

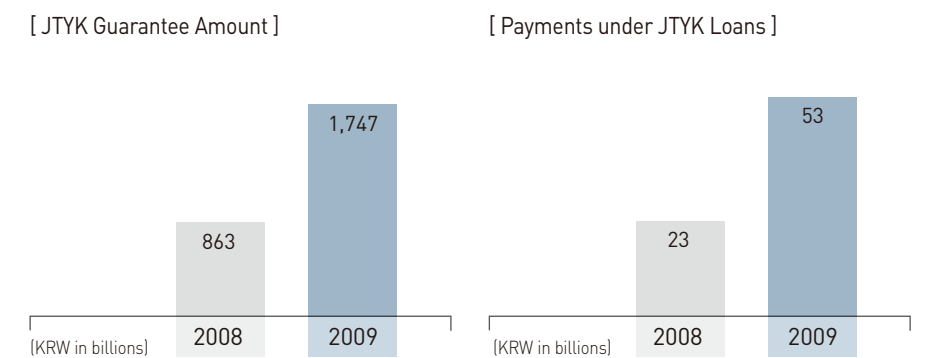
Securitization Business



Housing Finance Credit Guarantee



JTYK (Reverse Mortgage) Guarantee



2009 Awards & Recognition



The Most Admired Company in 2009

For two consecutive years, HF was selected in March 2009 as one of Korea's Most Admired Companies, which are surveyed and announced every year by the Korea Management Association Consultants (KMAC). It topped the list in the guarantee insurance section. This represents the wide recognition the corporation has garnered for its efforts to expand support for housing finance in its quest to be "lifetime financial partner for low and moderate-income people."



Grand Prize Winner, 2009 Social Contribution Corporate Awards

In November 2009, HF was awarded the grand prize from the Social Contribution Corporate Awards (held by the Korea Economic Daily). This prize was conferred in sterling recognition of HF's active leadership in reaching out to the underprivileged members of society in a several ways including its community volunteer activities to help improve the housing situation for citizens who do not own homes, the scholarship program for youths from low-income families, the sisterhood relationship with a rural village, and assistance for senior citizens.



Winner of the Knowledge Economy Minister Award in Service Quality

In November 2009, HF won the Service Quality Award (Knowledge Economy Minister Award) at the 35th National Quality Management Convention hosted by the Korean Standards Association with the support of the Ministry of Knowledge Economy. With the CS vision of "Your Partner for Happy Life-HF" and under the strong leadership of the CEO, HF has actively strived to improve service quality by various means including the real-time integrated "voice of customers (VOC)" management system.



Rated "Excellent" in Sustainable Management

In November 2009, the Ministry of Knowledge Economy and the Institute for Industrial Policy Studies conducted research on the state of sustainable management of fifty private companies belonging to the top 200 groups in terms of market capitalization as well as 42 public companies affiliated with the government. HF won an AA rating and was selected as an excellent company.



Rated an Excellent Public Institution in Customer Satisfaction

HF fared well in the annual Public-service Customer Satisfaction Index (PCSI), which is surveyed every year by the Ministry of Strategy and Finance. In the 2009 survey, HF scored 93.7 points, 7.0 points higher than the average of 86.7 points for 72 quasi-government institutions, and was rated an excellent institution in customer satisfaction.

2009 Highlights

Securitization of Mortgage Loans of Financial Institutions

Starting with Woori Bank in March 2009, HF issued a total of KRW4.9 trillion in MBS in 2009 with mortgage loans from five financial institutions including SC First Bank, Citibank Korea, Kookmin Bank, and Samsung Life as underlying assets in the form of "Mortgage-MBS Swap" transactions. This helped bolster the financial soundness of the financial institutions.

Over 2,000 Seniors Using HF's Reverse Mortgage Plan

By August 2009, only two years and a month after the reverse mortgage product was introduced in the market, the number of JTYK borrowers reached over 2,000. The market penetration rate of reverse mortgage was three times higher than in the United States, which had been the benchmark for the Korean reverse mortgage.

Road Show for Overseas Investors

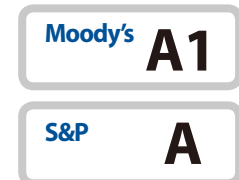
In November 2009, HF held investment road shows in Thailand, Singapore, and Hong Kong. It visited eleven institutions and briefed them on its business and explained the MBS that it issues. The road shows were good opportunities for HF to promote itself to international investors and position itself firmly in the global marketplace.

Acquisition of International Credit Rating

In November 2009, HF obtained international credit ratings for the first time from international credit rating agencies. Moody's and S&P granted HF the same credit rating as the Korean government, the sovereign credit rating.

Bolstering HF's Housing Finance Leadership in Asia

At "Workshop on Housing Finance in South Asia" hosted by the World Bank in Indonesia in May 2009, HF delivered a presentation on the development of the housing finance and MBS market in Korea. In the following July and August, it held conferences for executive officials of ASEAN countries and the delegation from Chulalongkorn University of Thailand, strengthening cooperative ties with overseas institutions.



(As of April 14, 2010)



General Economy

The Korean economy began to rebound in the second quarter of 2009 as a result of improvement in export conditions as well as aggressive fiscal stimulus and monetary policy. However, the annual GDP growth rate remained at only 0.2 percent, the lowest since the currency crisis, due to the prolonged economic recession continued to the first quarter.

Final consumption rose only 1.3 percent year-on-year, weighed down by the economic slowdown in the private sector despite the increase in government consumption.

[Domestic Economic Indicators]

	2007	2008	2009				
			Annual	1Q	2Q	3Q	4Q
GDP	5.1	2.3	0.2	-4.3	-2.2	1.0	6.0
Final Consumption	5.1	2.0	1.3	-2.0	0.7	1.7	4.7
(Private)	5.1	1.3	0.2	-4.4	-1.0	0.7	5.8
(Government)	5.4	4.3	5.0	7.2	6.7	5.3	1.1
Fixed Capital Formation	4.2	-1.9	-0.2	-7.4	-2.3	0.4	7.1
(Construction)	1.4	-2.8	4.4	2.8	5.1	4.4	5.0
(Facilities)	9.3	-1.0	-9.1	-23.1	-17.3	-7.0	13.3
Exports	12.6	6.6	-0.8	-10.7	-3.4	1.0	9.8
Imports	11.7	4.4	-8.2	-18.8	-13.3	-7.7	8.7

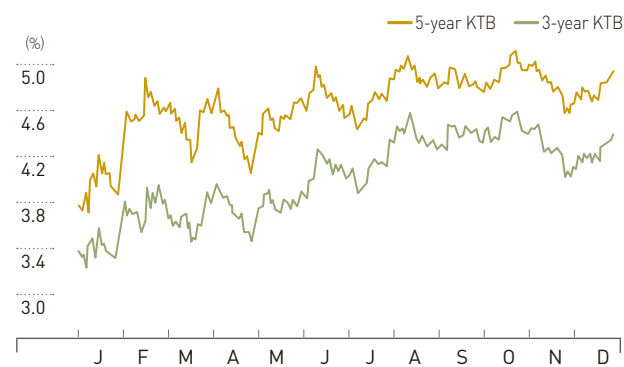
Note : All figures are year-on-year real growth rates. / Source : The Bank of Korea

Bond Market

In 2009, interest rates in the bond market marked a rising trend. The yield on three-year treasury bonds rose about 100 basis points from the end of the previous year. The rise in interest rates was spurred by a surge in the volume of treasury bonds, the spreading economic recovery, and the possibility of change in monetary policies stemming from controversy surrounding the exit strategy, in spite of the record-low base rate of 2.0 percent.

In the first quarter, despite two cuts in the base rate, the increase in the volume of treasury bonds upset the supply and demand, and the global credit instability triggered a rise in interest rates, primarily in longer-term products. In the second quarter, thanks to the improvement in economic indices, the stock market staged a major rally and the interest rates continued to rise.

[Key Interest Rates, 2009]



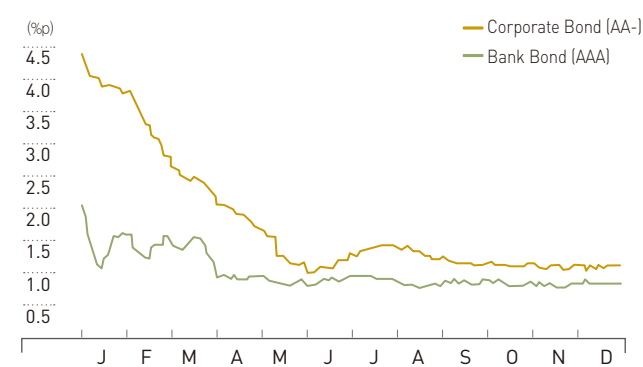
Fixed investment fell 0.2 percent as investment in facilities contracted sharply, but construction investment rose as a result of the economic stimulus.

Both gross exports and gross imports declined in the wake of the global financial crisis, the first decline since 2001. Gross imports fell by 8.2 percent whereas gross exports fell only by 0.8 percent, helped by the weakness of the Korean won and aggressive marketing by exporters.

In the third quarter and afterward, interest rates rose further as a result of the stronger than expected economic recovery, controversy over the exit strategy, and other such factors. The rise was especially notable for short-term products. However, the rise was muted somewhat by concerns over the possibility of a stalling of the economic recovery and a flight to quality after the Dubai World incident.

The credit spread between the three-year treasury bonds and three-year bank bonds (AAA) had widened markedly amid the global financial crisis at the end of 2008. It later narrowed and stabilized as the anxiety over credit risk eased in line with the economic recovery, dropping to 77 bps by the end of 2009.

[Credit Spread (3-year Bonds), 2009]



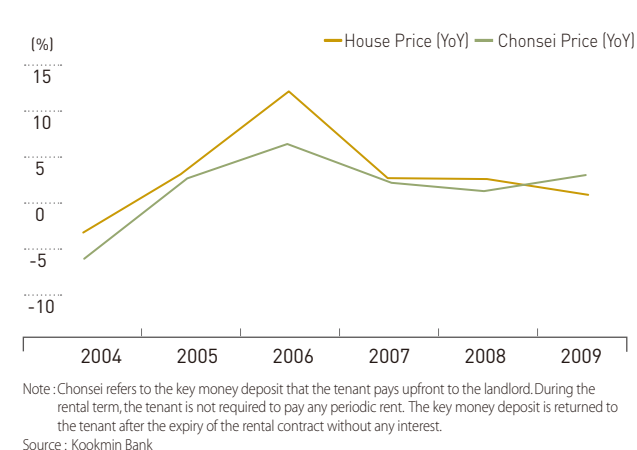
Housing Market

The housing market stagnated in early 2009 as consumer sentiment slid due to the global financial crisis. It began to rebound in the second quarter owing to deregulation by the government, the persistence of low interest rates, and rising expectations of economic recovery.

Nationwide home prices rose for nine consecutive months since April and ended the year up 1.5 percent. The price of Chonseil (rental deposit) rose much more quickly - by 3.4 percent - due to a lack of rental housing, mostly in the metropolitan area, and an increase in moving by households necessitated by the widespread housing redevelopment and repair projects.

The housing construction indicators (authorizations and permits) have been low since 2008. Many newly built housing units remain unsold, and private home builders delayed their projects in anticipation of lifting of

[House and Chonseil Price Appreciation]

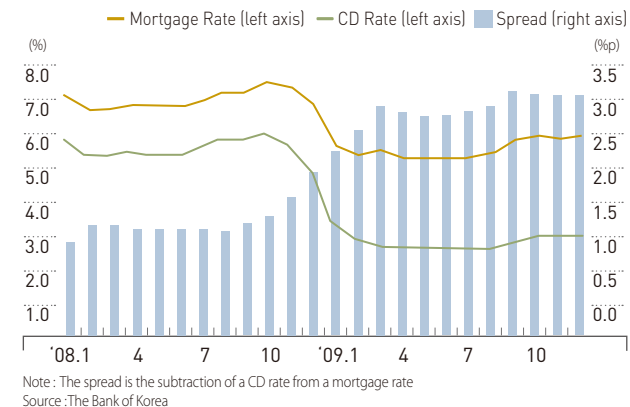


Housing Finance Market

In December 2009, the weighted average interest rate of mortgage loans newly originated by banks was 5.90 percent, which was a meager decline of 0.91%p from December 2008. The change was relatively small because the banks raised the spread out of concern over potential deterioration in profitability, even though the benchmark CD interest rate dropped 1.86%p year-on-year.

Banks' net mortgage lending increased in early 2009, led by the demand

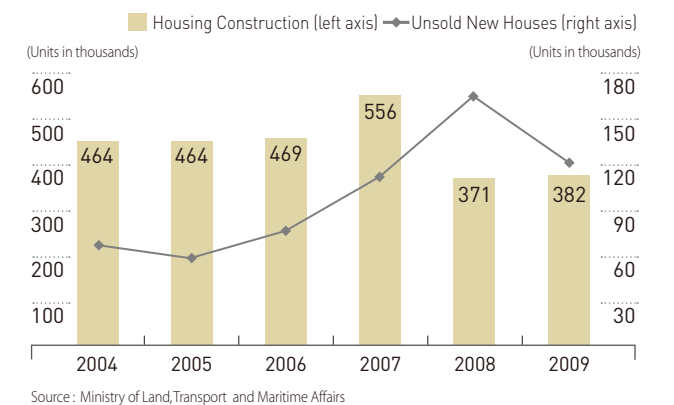
[Mortgage Rate and Spread]



the ceiling on the sale prices of new housing units. Construction of Bogeumjari houses (new houses supplied by the public sector), however, helped boost the housing construction, resulting in 3% increase from the previous year to 382 thousand units.

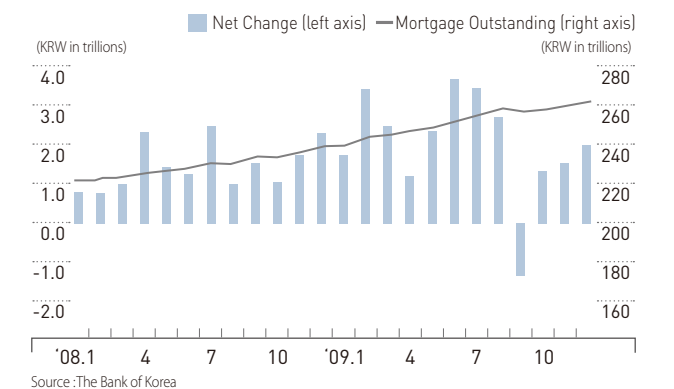
The number of unsold new housing units dropped in 2009 to 126 thousand units by year end as a result of the temporary exemption from acquisition and registration taxes and transfer income taxes and exclusion from regulations on debt-to-income (DTI) ratio and loan-to-value (LTV) ratio. Some 50 thousand new housing units remained unsold after construction was completed, however, an 8 percent increase from the end of the previous year. Ninety-four percent of these units were in provincial areas, which indicates there was a serious liquidity crisis among provincial home builders.

[Housing Construction [Approval] and Unsold New Houses]



for living expenses and business funds. In May, it started to rise at a much sharper rate on a surge in house sales and expectations of increases in home prices in tandem with the economic recovery. Mortgage lending slowed later in the year as the regulatory authority had tightened the LTV and DTI regulations in the metropolitan area since July. At the end of 2009, the outstanding balance of the residential mortgages by banks totaled KRW264.2 trillion, up KRW24.5 trillion from the previous year.

[Mortgage Outstanding and Net Change]





Financial Support for a Better Life

HF is with its customers at every step in their lives. It helps make housing more accessible and affordable to low and moderate-income families by providing Bogeumjari loans and housing finance credit guarantees, and it is also leading the way to assure senior citizens of secure and comfortable retirements by providing reverse mortgage guarantees.

BUSINESS REVIEW

Bogeumjari Loan
Securitization
Housing Finance Credit Guarantee
Reverse Mortgage Guarantee

BOGEUMJARI LOAN

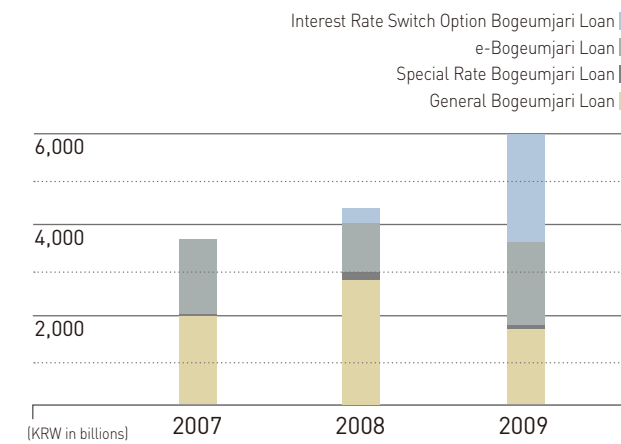
Providing long-term fixed-rate installment mortgage loans with maturities of 10 years or longer through financial institutions for home buyers

Origination Amount of Bogeumjari Loans

KRW
5,943
billion



[Bogeumjari Loan Origination]



Supply of Bogeumjari Loans

The Bogeumjari loan was Korea's first-ever long-term fixed-rate mortgage loan introduced by HF in 2004. By the end of 2009, KRW22.7 trillion of Bogeumjari loans had been provided to 272 thousand households to help low and moderate-income families buy their own homes.

In 2009, HF made Bogeumjari loan more competitive in such ways as raising the loan limits, allowing loans to be used for a larger pool of houses, improving the online e-Bogeumjari loan system, offering e-Bogeumjari loan through more financial institutions, making operational guidelines more customer-friendly, and stepping up its offline and online marketing campaigns through establishment of a new marketing organization. All these efforts served to boost the supply of Bogeumjari loans by about 40 percent for the year to KRW5,943 billion from KRW4,244 billion in the previous year.

HF provided KRW2,331 billion in Bogeumjari loans with the interest rate switch option. These loans start as adjustable-rate loans but can be converted to fixed-rate loans. They accounted for 39 percent of total Bogeumjari loans supplied, followed by KRW1,777 billion in general fixed-rate Bogeumjari loans. Borrowers could get a 0.20%p interest rate reduction if they applied for e-Bogeumjari loans. These were introduced in 2006 and remained popular in 2009 with a total of KRW1,728 billion. A total of KRW107 billion in Special Rate Bogeumjari loans, which offer an interest rate reduction in accordance with the income level of customers, were also supplied.

The average annual income of borrowers of Bogeumjari loans was KRW34 million. The average loan amount was KRW83 million, average loan maturity was 18 years, and average house price was KRW160 million. Bogeumjari loans have become a representative mortgage loan product for low and moderate-income families. HF cut the interest rate on the loans three times in 2009, for a total of 1.50%p, which greatly relieved the financial burden of low and moderate-income households. For those with KRW20 million or less in annual income, an interest rate reduction of up to 1.0%p was offered.

Servicing of Bogeumjari loans had previously been the responsibility of the financial institutions that originated them. In 2010, HF plans to begin to service the loans directly and to improve the loan supply system, in the process lowering the loan servicing costs and cutting the Bogeumjari loan interest rate. Based on such efforts, HF will contribute to reducing housing finance costs for low and moderate-income families and facilitate their efforts to buy their own homes.

[Major Characteristics of Bogeumjari Loan Borrowers]

Characteristics of Borrowers and Housing (Average)	
Age	37 years old
Annual Income	KRW34 million
Maturity	18 years
House Price	KRW160 million
Size of House	72m ²
LTV Ratio	57%

Major Loan Conditions	
Maturity	10~30 years
Repayment Method	Installment Repayment
No. of houses owned	≤ 1
Maximum Loan Amt.	KRW500 million
Interest Rate	Minimum 5.7% (end of 2009)
LTV Ratio	Maximum 70%

SECURITIZATION

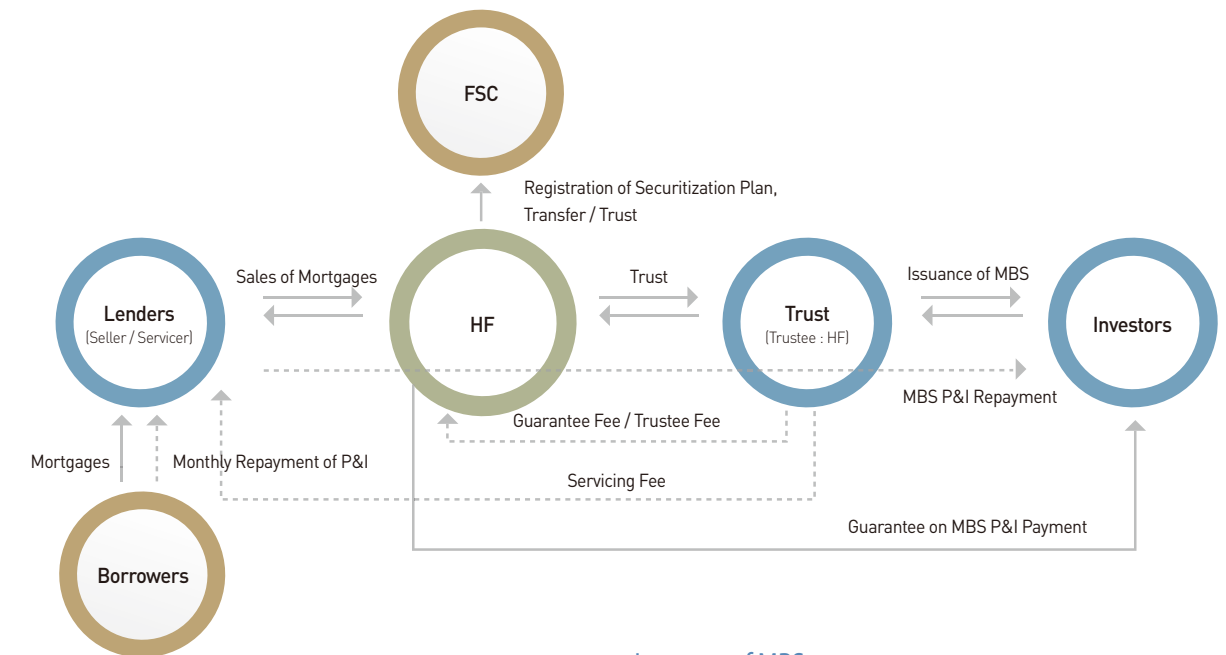
Issuing MBS and SLBS with mortgage loans and student loans as the underlying assets

Issuance Amount of
MBS and SLBS

KRW
10,977
billion



[HF MBS Issuance Structure]



Issuance of MBS

HF's mortgage-backed securities (MBS) are beneficiary certificates of which HF guarantees payment of the principal and interest. HF acquires Bogeumjari loans originated by financial institutions in accordance with the specific acquisition standards, and issues MBS using the loans as the underlying assets. HF MBS is generally issued in eight types of senior tranches with maturities of 1, 2, 3, 5, 7, 10, 15, and 20 years and a subordinate tranche with a maturity of 21 years. They are listed on the bond market division of the Korea Exchange and are traded as general bonds.

In 2009, HF undertook mortgage-MBS swap transactions for the first time. It acquired mortgage loans owned by financial institutions and then traded the loans with MBS guaranteed by HF in order to facilitate banks' efforts to improve their BIS ratios and provide them better liquidity.

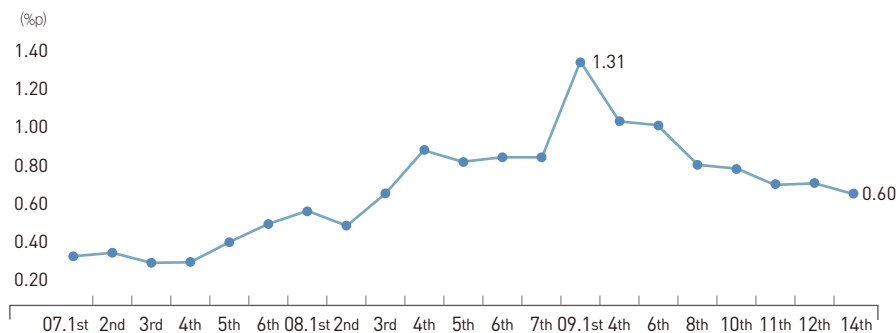
In addition, Bogeumjari loans with the interest rate switch option, under which a variable interest rate is applied for up to maximum three years, were used as the underlying assets to issue variable rate MBS for the first time in Korea. This transaction contributed to the formation of the platform for the active securitization of mortgage loans held by financial institutions in the future.

The yield on HF MBS is determined by adding a spread to the benchmark treasury bond yield. Since its founding, HF's credit standing has gradually improved, and the MBS has become more marketable, allowing the spread to be gradually tightened. It did widen for a time in 2008 because of market instability triggered by the global financial crisis, but it has since slowly narrowed to the previous level as the financial market has recovered. In addition, since August 2009, MBSs have been issued by competitive bidding instead of fully underwriting basis with securities companies. The weighted average spread over the five-year treasury bond fell significantly to 60 bps by the end of 2009 from 131 bps in early 2009.

[Summary of HF MBS Issuance]

Underlying Assets	Mortgage loans originated by financial institutions based on mortgage securitization commitment program
Amount Issued	KRW300 to 600 billion (per issuance)
Issuer	Trust (HF is the trustee.)
Issuance Structure	<p>HF provides 100% guarantee on senior MBS P&I payment. Multiple tranches with various maturities are issued (maturity tranching).</p> <p>Short-term tranches with a maturity of three years or less shall be repaid in their entirety by the expiration of the maturity.</p> <p>Tranches with maturities longer than three years are sequentially callable on a quarterly basis. Grace period not allowing exercise of call option is devised for each tranche.</p>
Conditions	Credit rating of AAA; listed in the bond market division of Korea Exchange; public offering Coupon : fixed rate (treasury bond yield plus spread)
Servicers	The financial institutions that transferred the loans shall provide loan servicing and receive monthly fees.

[MBS Weighted Average Spread over 5-year KTB]



Note : Mortgage-MBS swap transactions and floating-rate MBS not included

HF issued senior MBS 14 times for a total of KRW8,575 billion during 2009. Among these, KRW4,936 billion was issued in the form of mortgage-MBS swap transactions and KRW209 billion was on variable interest rates.

Except mortgage-MBS swap transactions, 39.7 percent of all senior MBS issued in 2009 was long-term MBS with seven years or longer maturity. In total, HF has issued KRW17,100 billion of senior MBS since its foundation, excluding mortgage-MBS swap transactions, and approximately 49.8 percent of the issued amount, or KRW8,515 billion, was of long-term tranches with maturities of seven years or longer. This demonstrates that HF has contributed to the development of long-term bond market and effectively served as a major funding source for long-term housing finance.

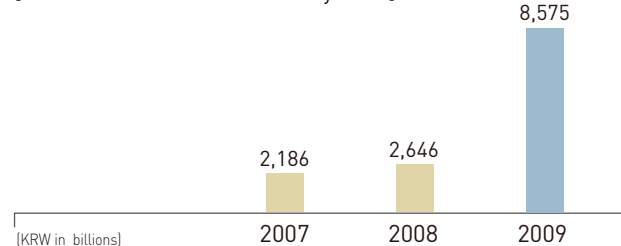
Major investors in HF MBS were banks, insurance companies, pension funds, investment trust companies, and securities companies. In 2009, banks held the largest share at 33.8 percent with investments amounting KRW1.2 trillion, except mortgage-MBS swap transactions, followed by insurance companies with KRW1.1 trillion and pension funds with KRW660 billion.

[MBS Investment by Maturity and Investors in 2009]

	1-year	2-year	3-year	5-year	7-year	10-year	15-year	20-year	Total
Banks	230	300	150	360	140	50	0	0	1,230 [33.8]
Insurance companies	0	60	50	120	290	315	230	70	1,135 [31.2]
Pension Funds	0	50	190	180	140	80	10	10	660 [18.1]
Securities Companies	124	20	170	40	10	10	0	0	374 [10.3]
Investment Trust	0	10	50	90	20	60	10	0	240 [6.6]
Total	354 [9.7]	440 [12.1]	610 [16.8]	790 [21.7]	600 [16.5]	515 [14.1]	250 [6.9]	80 [2.2]	3,639 [100.0]

Note : 1) Figures in () represent percentage of total.
 2) Insurance accounts of banks were classified as insurance companies.
 3) Mortgage-MBS swap transactions and subordinated tranches not included

[Senior MBS Issuance Amount by Year]



Issuance of SLBS

Issued for the first time in the second half of 2005, HF's student loan-backed securities (SLBS) are beneficiary securities of which HF guarantees the payment of the principal and interest. HF acquires student loans guaranteed by the Student Loan Credit Guarantee Fund (90 percent partial guarantee) from financial institutions in accordance with pre-arranged purchase agreements and issues SLBS using them as underlying assets. Just like the MBS, HF SLBS is traded as a kind of general bonds, and is issued in seven to eight tranches of senior securities and a 21-year subordinated tranche.

Through issuance of SLBS, HF provides funding sources for student loans, helping extend the repayment period of student loans up to 20 years and benefiting more students including borrowers of loans without interest or with low interest. It has dramatically enhanced the efficiency of the government's student loan policy compared with the previous program in which the government provided the subsidy on interest differentials, and despite the global financial crisis, HF helped stabilize the interest rates on student loans by improving the issuance structure and reducing the coupon rate and cost through introduction of competitive bidding system.

In 2009, HF issued senior SLBS amounting to KRW2,402 billion over four times. By maturity, a five-year maturity SLBS accounted for 20.0 percent, the largest share, or KRW480 billion, while SLBS with maturity of seven years or longer accounted for 44.5 percent. From the second half of 2005 through 2009, HF issued a total KRW7,773 billion of SLBS, helping college students obtain student loans, which in turn benefited the long-term bond market as well as improving educational opportunity.

[Senior SLBS Investment by Maturity and Investors in 2009]

	1-year	2-year	3-year	5-year	7-year	10-year	15-year	20-year	Total
Banks	85	110	20	180	60	10	20	0	485 [20.2]
Insurance companies	0	10	105	60	100	270	220	50	815 [33.9]
Pension Funds	0	20	50	240	80	140	70	0	600 [25.0]
Securities Companies	142	155	115	0	0	0	0	0	412 [17.2]
Investment Trust	10	10	20	0	0	20	20	10	90 [3.7]
Total	237 [9.9]	305 [12.7]	310 [12.9]	480 [20.0]	240 [10.0]	440 [18.3]	330 [13.7]	60 [2.5]	2,402 [100.0]

Note : 1) Figures in () represent percentage of total.
 2) Insurance accounts of banks were classified as insurance companies.

Servicing and Administration

As of the end of 2009, the outstanding balance of HF's underlying assets for securitization was KRW24,196 billion, consisting of KRW17,999 billion in mortgage loans and KRW6,197 billion in student loans.

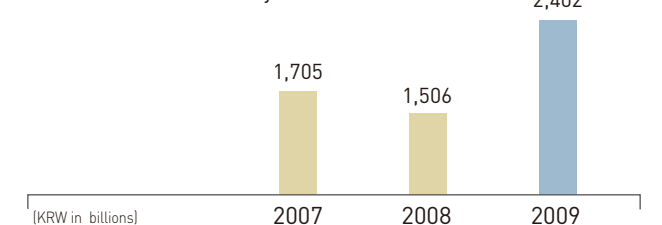
Since its foundation, HF issued a total of KRW24,930 billion (including KRW2,876 billion acquired from KoMoCo) in MBS and KRW7,778 billion in SLBS, for a grand total of KRW32,708 billion. Of this amount, KRW8,118 billion was repaid to leave the balance of securities at KRW24,590 billion as of the end of 2009.

HF tightened the management of Bogeumjari loans in delinquency in 2009 to improve its asset soundness. HF also effectively improved loan servicing process by establishing a Bogeumjari loan management system, and raised customer satisfaction by developing an electronic seal system, in the process of improving its servicing systems to make them more customer-friendly.

Major investors of SLBS issued during 2009 included banks, insurance companies, pension funds, securities companies, and investment trust companies. Among them, insurance companies made the largest investment of KRW815 billion, or 33.9 percent of the total, followed by pension funds with KRW600 billion and banks with KRW484 billion.

HF obtained the same international credit rating as the Korean government from Moody's and S&P. This meant that it could tap a wider range of funding sources and establish funding channels from overseas markets in preparation for a contingency.

[Senior SLBS Issuance by Year]



[Underlying Assets as of the end of 2009]

	No. of Trust	Underlying Assets ¹⁾	
		No. of Loans	Loan Balance
Mortgage Loan ¹⁾	55	286,278	17,999
Student Loan	17	1,934,509	6,197
Total	72	2,220,787	24,196

Note : 1) Including KRW2,782 billion of mortgage portfolio

[MBS/SLBS Balance as of the end of 2009]

	Cumulative Issuance Amount	Repayment			Outstanding Balance
		Repaid at Maturity	Prepaid (Call Option)	Total	
MBS	24,930	4,001	3,013	7,014	17,916
SLBS	7,778	981	123	1,104	6,674
Total	32,708	4,982	3,136	8,118	24,590

Note : Subordinated tranches included

HOUSING FINANCE CREDIT GUARANTEE

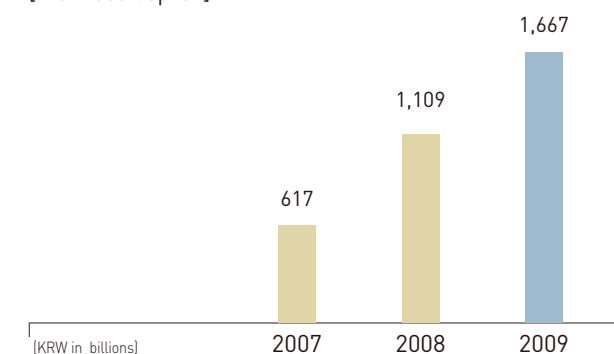
Providing credit guarantees to housing-related loans for individual households and construction loans for home builders to make housing more accessible to low-income households

Guarantee Amount

KRW
9,655
billion



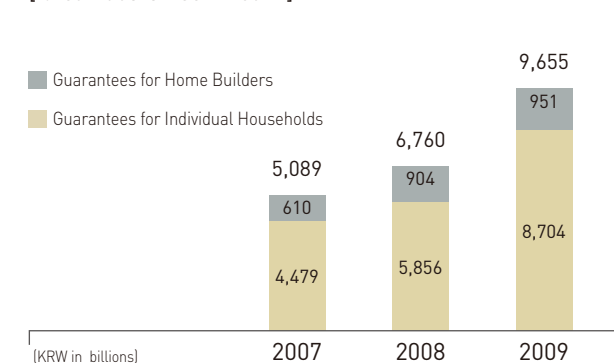
[Net Base Capital]



[Operating Multiple]

	[KRW in billions]		
	2007	2008	2009
Net Base Capital (A)	617	1,109	1,667
Borrowings from IBRD (B)	103	113	82
Total Guarantee Funds (C=A+B)	720	1,222	1,749
Guarantee Balance (D)	8,721	11,406	15,734
Operating Multiple (E=D/C)	12.1 times	9.3 times	9.0 times

[Credit Guarantee Amount]



Fund Raising

Housing Finance Credit Guarantee Fund (HFCGF) is financed by contributions from the Korean government and financial institutions, guarantee fees, collection of claims against indemnity rights, and returns from fund investment, and other sources. In 2009, without contributions from the government, a total KRW1,273 billion was amassed with KRW421 billion in contributions from financial institutions, KRW71 billion in guarantee fees, and KRW115 billion from collection of claims against indemnity rights, among other sources.

Base Capital

The base capital of HFCGF consist of the contributions from the government and financial institutions. The base capital plus retained earnings, or accumulated deficit, are used as the financial resource for credit guarantees. In 2009, a decline in defaults of guaranteed loans and increase in returns from fund investment led to improvement in asset soundness and profitability of HFCGF. Simultaneously, the net base capital increased 50 percent to KRW1,667 billion.

Operating Multiple

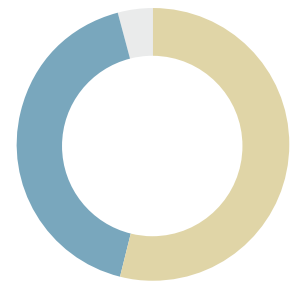
The operating multiple is an index calculated by dividing the outstanding guarantee balance by total guarantee funds (net base capital + borrowings from IBRD). This indicates the stability of the guarantee operation. The operating multiple of HFCGF, legally capped at thirty times, fell to nine times in 2009, its lowest since 2000.

Supply of Credit Guarantee

In 2009, HFCGF made various efforts to support low-income households in several ways, including increased provision of guarantees for Chonse loans and installment loans for new apartment purchases, support for improving the liquidity of construction companies, stable supply of guarantees for home builders, and development of new customized products for families with three or more children and newlyweds. As a result, in 2009, it provided guarantees amounting to KRW9,655 billion, a 43 percent increase over KRW6,760 billion in 2008, the largest volume of guarantees issued since the establishment of HF.

Since its establishment in 1988, HFCGF has provided KRW111 trillion in guarantees. For individual households, KRW83,892 billion in guarantees was provided to 4 million households, whereas for home builders, KRW27,562 billion in guarantees was provided. This has not only improved housing stability of low-income households, it has also afforded reliable financing to small and medium-sized home builders.

[Credit Guarantee Amount for Individual Households by Guarantee Type]

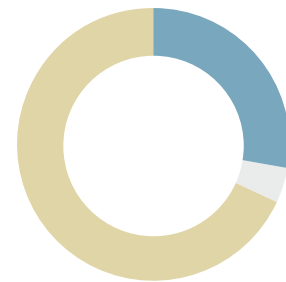


Chonse (House Rental)
KRW 4,699 billion (54%)

Installment Payments for New Apartment Purchase during Construction Period
KRW 3,660 billion (42%)

House Purchase
KRW 345 billion (4%)

[Credit Guarantee Amount for Home Builders by Guarantee Type]



P-CBO
KRW 645 billion (68%)

Funds for Construction
KRW 265 billion (28%)

PF
KRW 41 billion (4%)

Note : KRW23 billion of guarantees for rental deposit return included in the Chonse

In 2009, the issuance of credit guarantees for individual households increased by 49 percent to KRW8,704 billion, accounting for 90 percent of all guarantees. The credit guarantee amount for home builders increased by 5 percent to KRW951 billion.

In the category of guarantees provided directly to households in 2009, guarantees on loans for Chonse (rental) deposits, the most noteworthy guarantee product targeting low-income households, amounted to KRW4,676 billion, an increase of 32 percent and a new record. This increase was a result of the efforts to help low-income households who did not own homes and had difficulties in paying upfront deposit for Chonse. These efforts included raising the guarantee limit for loans for Chonse deposits from KRW100 million to KRW200 million and the guarantee approval ratio from 90 percent to 95 percent.

The volume of guarantees on installment payments for new apartment purchases during the construction period almost doubled to KRW3,660 billion from the previous year's KRW1,884 billion as a result of raising the guarantee limit (from KRW300 million to KRW500 million) and guarantee ratio (from 90 percent to 100 percent) and promoting guarantee on group loans for each construction place.

For home builders, HF provided guarantees in the amount of KRW645 billion to P-CBOs, a 28 percent increase from the previous year. It accounted for 68 percent of total guarantees for home builders. P-CBOs, whose underlying assets are corporate bonds issued by home builders, were introduced in the market in 2008, and have been providing emergency liquidity to home builders hard pressed by the overall slow-down in the housing market, accumulation of unsold newly built houses, and deterioration in profitability.

[HFCGF Customers as of the end of 2009]

Guarantees for Individual Households (Based on No. of Guarantees)	Annual Income KRW30 million or less	84.7%
	CSS Grade 6 or Lower	61.5%
	House Size 85m ² or Smaller	94.4%
Guarantees for Home Builders (Based on the Guarantee Balance)	Rental Home Builders	59.6%
	Small- and Medium- Sized Companies	98.1%
	Companies Based in Provincial Areas	73.1%



Major Customers of HFCGF

Most guarantees for individual households are provided to low-income families whose annual incomes are KRW30 million or less and whose individual credit ratings under the credit scoring system (CSS) are 6 or lower, and whose houses are 85m² or smaller. Likewise, guarantees for home builders are mainly provided to construction companies that build rental housing for low-income households who do not own homes and small and medium-sized home builders in provincial areas that have relatively limited financial resources.

[Guarantee Events]

	(KRW in billions, %)		
	2007	2008	2009
Outstanding Balance of Credit Guarantees (A)	8,721	11,406	15,734
Defaulted Amount (B)	249	313	270
Defaults Cured (C)	340	296	256
Net Increase in Default (D=B-C)	△92	17	14
Default Rate (E=B/A)	2.8	2.7	1.7
Net Default Rate (F=D/A)	△1.0	0.1	0.1

Management of Defaults (Guarantee Events)

Risk management of HFCGF is significantly improved due to better screening and efficient servicing. The improvement allowed HFCGF to keep the net increase ratio of loan defaults (net increase in the amount of defaults divided by outstanding balance of guarantees) for the past four years at 0.1 percent or lower. In 2009, despite a higher volume of guarantees provided, HFCGF was able to minimize defaults at KRW270 billion, or 1.7 percent of the balance of guarantees. Accordingly, subrogation remained at KRW172 billion, or 1.1 percent of the balance of guarantees.

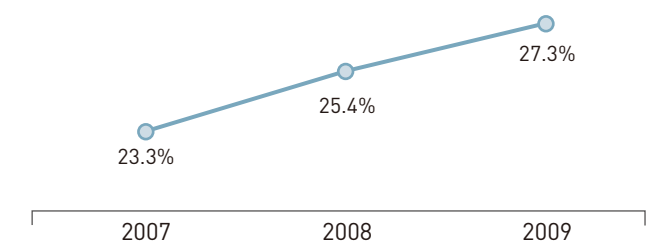
The outstanding balance of non-performing accounts of KRW1.7 trillion that HFCGF held at the time of HF's foundation in 2004 was diminished to KRW400 billion as of the end of 2009 as a result of strenuous efforts to cure the default loans and timely subrogation. This accorded HF much greater financial independence to completely cover subrogation only with contributions from financial institutions.

HF will refine the credit scoring system (CSS) for individuals to improve its risk management and complete the establishment of its credit risk assessment model and behavioral scoring system (BSS).

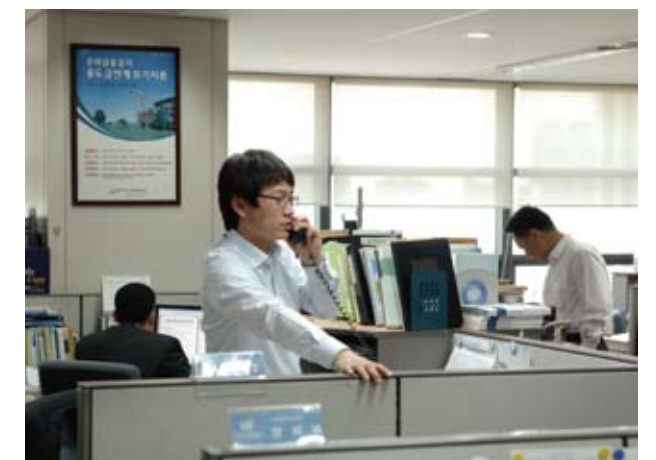
Management of Indemnity Rights

In 2009, indemnity rights of KRW1,305 billion whose recovery rate was at a low level were commissioned to five debt collection agencies and HF concentrated on recovering indemnity rights that have high recovery rates. HF thereby improved the efficiency of collection. Through selection and concentration by a debt management system that could calculate projected recoverability grades for each debtor, KRW115 billion in indemnity rights was collected and added to the fund raising.

[Aggregate Recovery Ratio of Indemnity Rights]



Note : Aggregate recovery ratio = Total amount of indemnity rights recovered / Total fulfillment of subrogation × 100 (since HFCGF's establishment in 1988)

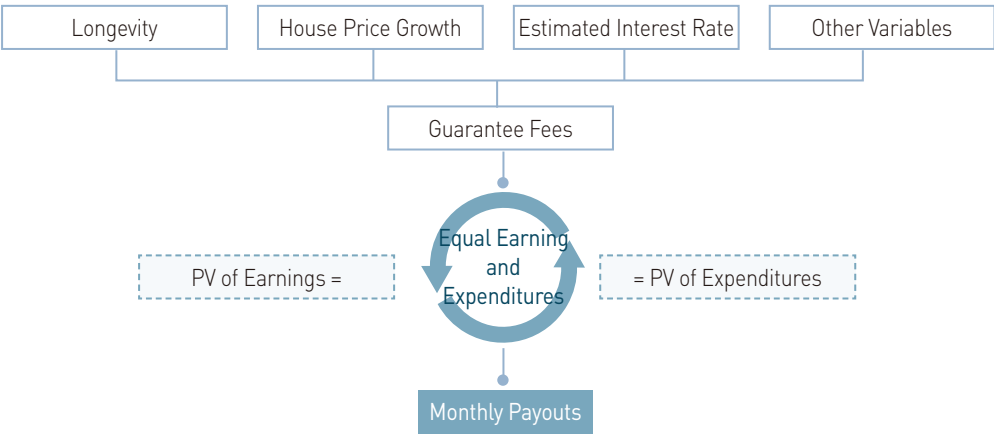


REVERSE MORTGAGE GUARANTEE

Providing credit guarantees for loans originated to seniors at the age of 60 years or older who use their homes as collateral, to enable them to receive monthly payments while residing in their own homes for the rest of their golden years



[Product Design]



[Net Base Capital]

	2007	2008	2009
Net Base Capital (A)	10,595	15,991	20,777
Guarantee Balance (B)	4,420	26,463	77,205
Operating Multiple (C=B/A)	0.42 times	1.65 times	3.72 times

Base Capital

Following the amendment of the Korea Housing Finance Corporation Act in April 2007, reverse mortgage guarantee accounts were set up within Housing Finance Credit Guarantee Fund, which is the financial base for the reverse mortgage (JTYK) guarantee business. The base capital consists of contributions from the government and financial institutions, and the sum of base capital and retained earnings is used as a base for credit guarantees. In 2009, the net base capital increased by 30 percent to KRW21 billion, and the operating multiple rose to 3.72 from 1.65 of the previous year.

Product Design

The two main features of JTYK are: i) seniors and their spouses can receive monthly payments throughout their lives while living in their own home and ii) they always have the option of setting aside a certain part of their loan and withdrawing the money at any time for contingencies such as expenses for urgent medical treatments.

From the standpoint of HF, JTYK, as a reverse mortgage program, presents three major risks. The first is the volatility in the value of properties, when house prices do not increase as much as HF projected. The second is the volatility of interest rate, which can be a problem when the interest rate of the loan is higher than the level HF forecasted. Third, there is a longevity risk, meaning that borrowers may live longer than HF anticipated. HF underwrites all of these risks from financial institutions through public guarantees, and, going beyond merely underwriting the risks, it has designed a model to calculate optimal monthly payouts under the principle of "equal earnings and expenditures" based on reasonable assumptions.





Product Description

The reverse mortgage (JooTaekYeonKeum, or JTYK) is a program that allows senior citizens to put up their houses as collateral and receive monthly payments for living expenses. This program is targeted at senior citizens who own their own homes but do not have adequate funds for living expenses. It is designed to let them stay in their homes during the remainder of their golden years and have payments for living expenses.

JTYK can be used when a borrower and his/her spouse is at least 60 years old and own a house not exceeding KRW900 million. Seniors provide their houses as collateral and receive monthly payments for as long as they live while living in their own homes under the payment guarantee of HF.

The interest rate on the JTYK is the variable rate calculated by adding 1.1%p to a 3-month CD rate, which is lower than mortgage rates offered by private financial institutions.

Borrowers are exempted from the registration tax, education tax, special tax for rural development, and the obligation to buy national housing bonds, so the upfront costs are low. Borrowers are also granted a 25 percent discount on property taxes and an income tax deduction in respect of the interest on loans.

The JTYK has two payment plans. One is the tenure plan under which monthly payments are provided throughout the lifetime of the borrowers without a credit line set for discretionary withdrawals; and the other is the modified tenure plan under which a portion of the loan proceeds is set aside as a standby credit line for discretionary withdrawals and monthly payments are provided out of the remaining loan amount. The line of credit can be set within 50 percent of the loan limit and the monthly payments under the modified tenure plan become smaller than those under the tenure plan accordingly.

The borrowers of JTYK can choose a monthly payment option to meet their economic situation. If they choose the fixed amount option, the monthly payment amount is fixed throughout their lives. If they choose the decreasing payment option, which pays the largest amount in the first

year, the monthly payment decreases by 3 percent each year. If they choose the increasing payment option, the monthly payment amount increases by 3 percent each year. The monthly payment options can be selected both for the tenure plan and the modified tenure plan.

Supply of JTYK

Supply of JTYK has been steadily increasing as the product features were developed to satisfy the needs of senior citizens. It has low upfront cost, provides higher monthly payments compared to private reverse-mortgage products, and offers a line of credit and tax benefits.

In 2009, HF increased the loan limit from KRW300 million to KRW500 million, lowered the eligible minimum age from 65 to 60, and expanded the line of credit from 30 percent to 50 percent to effectively establish JTYK as a viable option for seniors. Borrowers' burden was further eased by the complete exemption from special tax for rural development and the expansion of the income tax deduction in respect of the interest on loans. Services specialized for seniors were also strengthened: the number of professional consultants for JTYK increased and the screening period for loan guarantee was shortened.

These improvements indeed attracted more seniors. As a result of those improvements and efforts, a total of 1,124 seniors signed up for JTYK in 2009, about 62 percent increase compared to the 695 seniors in 2008. The amount of JTYK loans provided rose 131 percent to KRW53.1 billion, and the guarantee amount rose 102 percent to KRW1,747.4 billion.

In the two years and six months since its introduction in July 2007, a total 2,334 seniors were provided with KRW80.5 billion in JTYK loans and KRW3,213.2 billion in guarantees.

If we look at the supply of JTYK in 2009 by payment plan, there were 551 tenure plans, accounting for 49 percent, and 573 modified tenure plans, accounting for 51 percent of total cases.



[Supply of JTYK]

	(KRW in billions)		
	2007	2008	2009
No. of JTYK Guarantees	515	695	1,124
Payments under JTYK loans	4.4	23.0	53.1
Guarantee Amount	602.5	863.3	1,747.4

[Benefits]

Residence and Payments for Life	The residence and payments shall be guaranteed throughout the lifetime of the borrower and his/her spouse.
Government Guarantee	The government provides the guarantee for lifetime continuous payments.
Low-Interest Rate	Variable rates are applied (3-month CD rate plus 1.1%p) which are lower than mortgage rates offered by private financial institutions.
Low Upfront Costs	Borrowers are exempted from registration tax, education tax, special tax for rural development, and the obligation to buy national housing bonds.
Tax Breaks	Borrowers shall be given a 25% discount on property tax. (applied up to KRW500 million out of total property value)
	Income deduction for tax calculation shall be granted for up to KRW2 million of interest payment amount on loans.

[Borrower Qualifications]

Age	The borrower and his/her spouse must be aged 60 or older.
No. of Houses Owned	The borrower and his/her spouse must own one house in total.
House Price	The house price must not exceed KRW900 million.

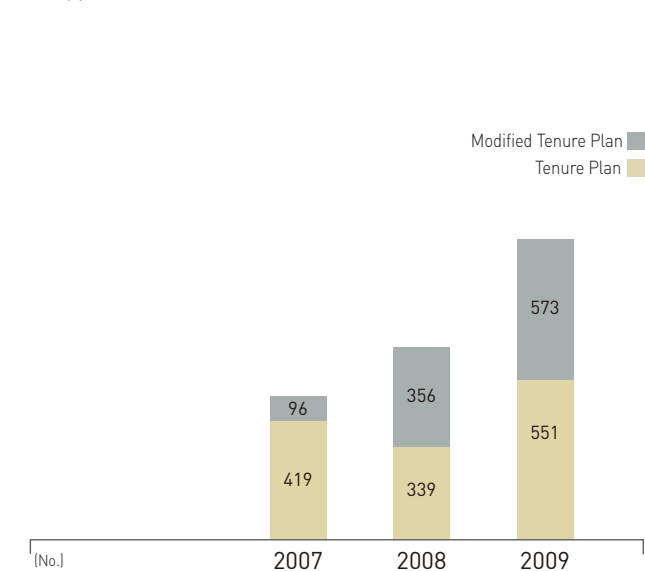


Benefits of JTYK

JTYK affords both housing and financial security for seniors. In effect, it has allowed the government to provide a social safety net for seniors with minimal financial support. In addition, houses can be liquidated into cash to encourage consumption by seniors and relieve the pressure on the younger generation to support their elders, which in turn benefits the national economy by boosting consumption, investment, and employment.

HF will continue to offer reverse mortgages and step up publicity targeting seniors and on-site marketing campaigns for up close and personal contact with customers.

[Supply of JTYK by Payment Plan]





Creative Leadership for a New Tomorrow

HF upholds high standards of accountability and transparency in management. It employs a sophisticated corporate governance structure headed by the top decision-making organization, the Housing Finance Management Committee, supported by the executive organizations including the Board of Directors, which is the highest executive body, the Specialized Subcommittees, and the Management Committee.

Corporate Governance

- Housing Finance Management Committee
- Board of Directors
- Specialized subcommittees
- Management Committee
- Organization

HOUSING FINANCE MANAGEMENT COMMITTEE



The Housing Finance Management Committee (HFMC) is the highest decision-making body within HF. It reviews and makes decisions on all important issues. The agenda includes formulation of and amendments to the basic operational policy and business plan; amendment to the articles of incorporation; budget planning, revision, and settlement; mortgage underwriting criteria; reverse mortgage guarantee criteria; establishment and modification of operating plans for Housing Finance Credit Guarantee Fund; and write-offs of indemnity rights.

The HFMC consists of six members including HF's president & CEO, who serves as its chairman, one government official representing the Financial Services Commission (FSC), one government official from the Ministry of

Land, Transport and Maritime Affairs (MLTM), one individual appointed by the FSC among executives of financial institutions or housing finance experts, and two individuals appointed by the FSC upon the recommendation of MLTM and the Bank of Korea, respectively. The term of the appointed members is two years.

Regular meetings are held in February, June, and December and extraordinary meetings may be held upon the request of the chairman or a majority of the members.

In 2009, the committee held six meetings and dealt with 20 items on the agenda.

[Members of Housing Finance Management Committee]

(As of the end of April, 2010)

Affiliation	Position	Name
Korea Housing Finance Corporation	President and CEO	Lim, Joo Jae
Financial Services Commission	Secretary General	Kim, Joo Hyeon
Ministry of Land, Transport and Maritime Affairs	Assistant Minister for Housing and Land	Han, Man Hee
Korea University	Professor	Park, Kyung Suh
Altplus E&C Co., Ltd.	Chairman	Lee, Dong Sung
Seoul Money Brokerage Services, Ltd.	Advisor	Park, Jae Joon



[Major Agenda of Housing Finance Management Committee in 2009]

	Deliberation / Resolution Items
1st Meeting (Feb. 3)	Setting-up of rental deposit repayment guarantee limit
2nd Meeting (Feb. 24)	Revision of mortgage underwriting criteria Revision of JTYK guarantee criteria 2008 financial settlements of HF 2008 financial settlements of Housing Finance Credit Guarantee Fund
3rd Meeting (Apr. 23)	Revision of detailed guarantee limits on installment payments for new apartment purchase
4th Meeting (Jun. 29)	2010 operating plan of Housing Finance Credit Guarantee Fund Revision of asset management guidelines for Housing Finance Credit Guarantee Fund and Reverse Mortgage Guarantee Accounts
5th Meeting (Sept. 7)	Expansion of guarantee limit on house rental (Chonseil) 2008 incentive payment for executive directors based on evaluation of business performance
6th Meeting (Dec. 22)	Reappraisal of determinant factors for JTYK guarantee amount 2009 indemnity right write-offs of Housing Finance Credit Guarantee Fund 2010 HF business plan 2010 HF budget

BOARD OF DIRECTORS

[Management]



The board of directors (BOD) is HF's chief executive body, chaired by the president and CEO of HF. In addition to the president & CEO, it consists of executive directors and non-standing directors. The BOD examines and makes decisions on issues requiring the review and decision of the Housing Finance Management Committee; borrowing and repayment plans; recommendations for executives; establishment, elimination, and revision of human resource-related and organizational rules; establishment, elimination, and revision of BOD rules and the rules of its subcommittees; changes in capital stock; matters requiring the government's approval; sales of indemnity rights; and other matters regarded as necessary by the BOD or the president & CEO. The auditor may attend the BOD meetings and state his/her opinions.

The president and CEO of HF is appointed or dismissed by the President of the Republic of Korea (ROK) upon nomination by the chairman of the Financial Services Commission (FSC) after multiple recommendations from the Executive Recommendation Committee. The auditor is appointed and

dismissed by the President of the ROK upon nomination by the Minister of Strategy and Finance, following multiple recommendations from the Executive Recommendation Committee and deliberation and voting by the Public Organization Operation Committee. The executive directors are appointed or dismissed by the president & CEO, while non-standing directors are appointed or dismissed by the FSC after multiple recommendations from the Executive Recommendation Committee. The term of the president & CEO is three years, while that of other members is two years. Based on the findings from performance evaluations in accordance with applicable laws, their terms may be extended on a year-by-year basis.

The BOD holds a regular meeting every month and may hold extraordinary meetings upon the request of the chairman of the BOD or at least one-third of its full membership.

In 2009, the BOD held 16 meetings and handled 76 items.

[Members of the Board of Directors]

(As of the end of April 2010)

Title	Name
President & CEO	Lim, Joo Jae
Vice President	Tae, Eung Youl
Executive Director	Ahn, Sang Mo
Executive Director	Lee, Sung Woo
Executive Director	Kim, Kyu Ho
Executive Director	Chun, Woo Young

Title	Name
Senior Non-standing Director	Kim, Kyung Hwan (Sogang Univ. Professor)
Non-standing Director	Kim, Hee Kyung (Sangmyung Univ. Professor)
Non-standing Director	Oh, Jong Nam (Seoul National Univ. Professor)
Non-standing Director	Lee, Doo Won (Yonsei Univ. Professor)
Non-standing Director	Choi, Chang Kyu (Myongji Univ. Professor)
Non-standing Director	Choi, Jong Myung (Tax Accountant)
Non-standing Director	Lee, Jong Uk (Korea Venture Times, Advisor)

SPECIALIZED SUBCOMMITTEES

The BOD has two subcommittees in place to which it delegates some of its authority: the Risk Management Committee and the Specialized Review Subcommittee.

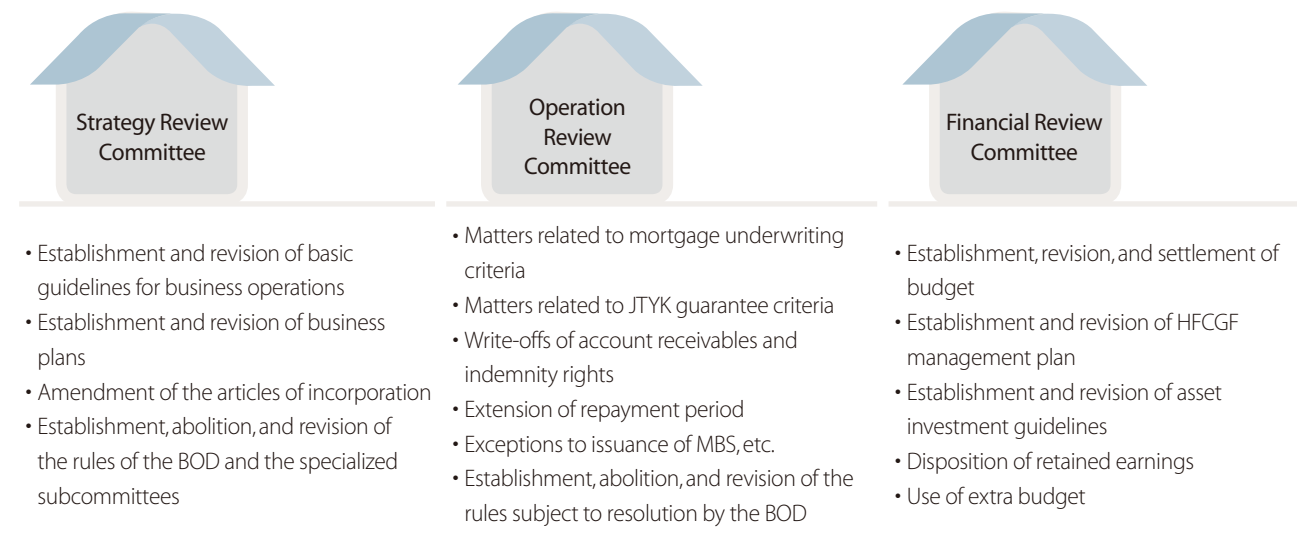
Consisting of at least one executive director and one non-standing director appointed by the BOD and an executive director in charge of risk management, the Risk Management Committee deliberates and makes decisions on such issues as establishing risk management policies and strategies; determining risk limits for total capital as well as each type of risk; and revising risk management rules. The Risk Management Committee holds a regular meeting once per quarter and may convene extraordinary meetings when deemed necessary by its chairman. The committee notifies each BOD member of its decisions and the BOD may engage in another resolution process regarding such decisions.

The Risk Management Committee held four meetings and dealt with 11 items in 2009.

The Specialized Review Subcommittee is a mechanism for deliberating on major items to be addressed by the BOD. It has its own subcommittees such as the Strategy Review Committee, the Operation Review Committee, and the Financial Review Committee, whose membership consists of two or more BOD members including at least one non-standing director appointed by the BOD and the BOD member in charge of the department which proposed the relevant item on the agenda. The term of all members including the chairman is one year and the secretary of the committee calls meetings in consultation with the chairman. The outcomes of deliberations conducted by the Specialized Review Subcommittee are reported to the BOD.

The Specialized Review Subcommittee convened 11 meetings and handled 23 items in 2009.

[Deliberations by Specialized Subcommittees]



MANAGEMENT COMMITTEE

The Management Committee consists of the president, vice president, and executive directors, and is chaired by the president. Its duties include deliberation and decision-making on establishment, abolition, and revision of all rules with the exception of the rules of the Housing Finance Management Committee and those requiring resolution by the BOD; entrustment of business; key issues concerning securitization, housing

finance credit guarantees, JTYK guarantees, and performance of surety obligations; matters delegated to it by the BOD; and other issues deemed necessary by the president.

The Management Committee convened 36 meetings and handled 63 items in 2009.

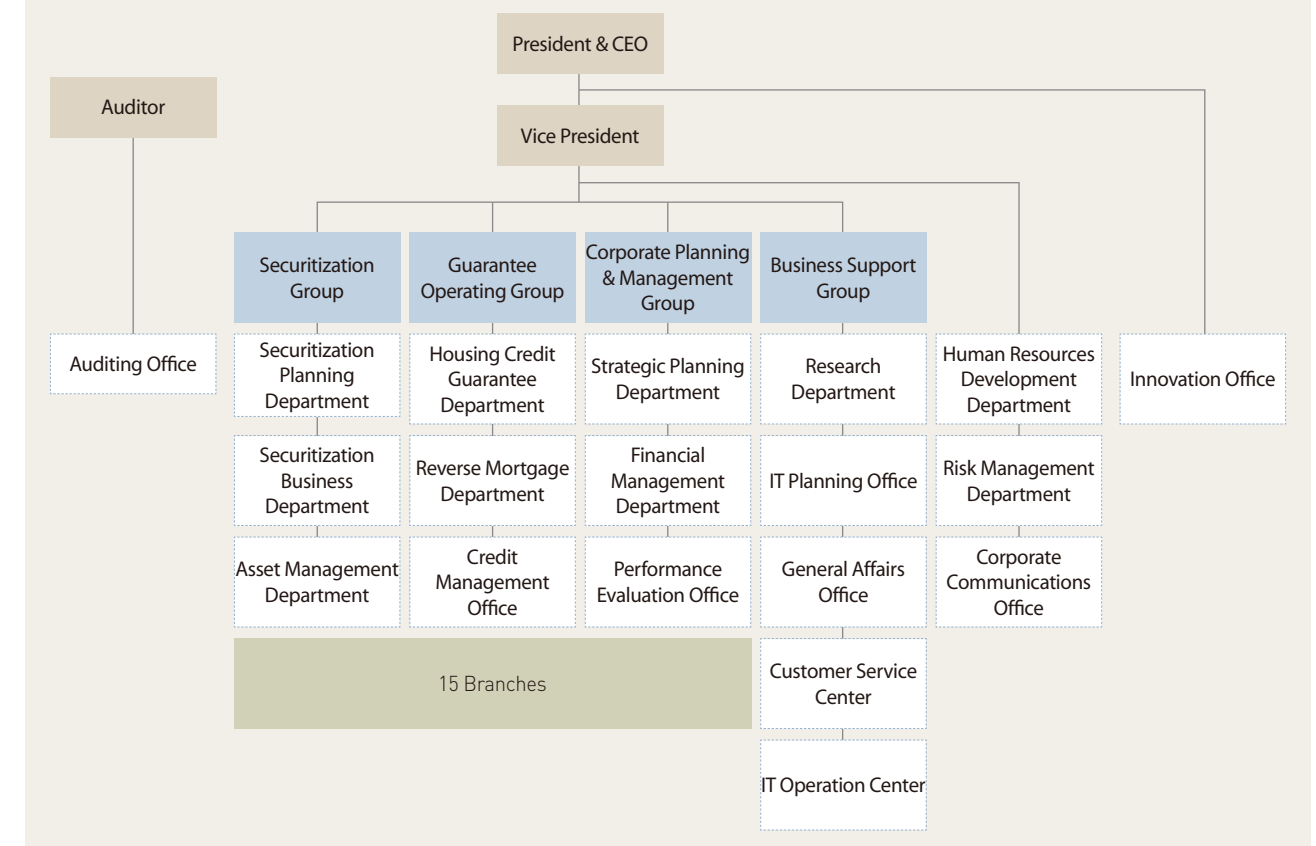
ORGANIZATION

HF streamlined its organizational structure by transferring the student loan credit guarantee business to the Korea Student Aid Foundation and outsourcing most of the collection business, while focusing on key businesses related to housing finance. This paved the way for HF to

become a small but effective organization that can flexibly and proactively deal with the changing business environment and maximize its business outcomes.

[4 Groups, 19 Departments, 15 Branches]

[As of the end of March 2009]





Constant Change for Sustainable Growth

HF is establishing an organizational culture that emphasizes passion, open mind, and mutual cooperation and it incorporates internal controls and practices ethical management based on systematic procedures. With the voluntary participation of its employees, HF engages in various community services, filling the world with love and hope.

CORPORATE SUSTAINABILITY

Organizational Culture
Ethical Management
Internal Controls
Risk Management
Social Contribution

ORGANIZATIONAL CULTURE

Aware that an appropriate organizational culture is essential for sustainable management, HF is trying to establish and promote its unique organizational culture.

T.O.P Culture

In December 2009, HF announced "TOP Culture" as the slogan for its organizational culture. T.O.P Culture stands for "Together, Open mind, and Passion", representing HF's determination that all members of the organization work together with an open mind and with passion to establish a top-notch organizational culture and grow to be an organization that is loved and trusted by the people.

Efficient Human Resource Management

HF established an efficient human resource management plan in 2009. The plan has four goals: ability and performance-oriented HR management, performance-based compensation, fostering of experts, and fairness in performance evaluation. The positions of key departmental heads were filled through open offerings, and personnel placement was handled effectively. A separate management system was set up for under-performers. An expert pool was created for core business responsibilities requiring expertise in order to raise the job competency, and a local expert fostering program was devised to improve the marketing ability of sales outlets.

Labor-Management Culture for Mutual Prosperity and Cooperation

HF is building a labor-management culture for mutual prosperity and cooperation through various labor-management communication channels and joint labor-management programs. In order to share management policies and strategies, HF is establishing multi-directional communication channels with its CEO functioning as the hub, and through a suggestion program, constructive opinions of employees are actively solicited and incorporated into management policies. In 2009, labor and management came to a dramatic agreement for pain sharing and productivity enhancement amid the economic crisis. The agreement called for wage cuts, the improvement of remuneration system, the reduction in benefits, etc.

Operation of Blue-Board

HF's Blue-Board was designed to collect opinions from young employees and convey them to the management to maximize mutual understanding on major management policies and provide a channel for bilateral communication. The Blue-Board suggests new directions for development in respect of overall business management, and it effectively promotes creative management.



ETHICAL MANAGEMENT

HF endeavors to internalize ethical management and disseminate its practices in order to become a government agency trusted by the people. It is pursuing ethical management with focus on strengthening its social responsibilities and sustainable management.

Code of Ethics and Ethical Management System

HF established the Ethics Charter so that all executives and employees could be in complete agreement about the standards for behaviors and value judgements that they would comply with. HF also drew up the Code of Conduct to provide detailed standards for the executives and employees to practice ethical management.

HF also has the Ethical Management Committee and the Ethical Management Ombudsman System as well as other ethical management systems such as the direct communication system with the CEO, clean report center, sexual harassment prevention counseling center, customer center for irregularity reports, and voluntary report system.

Enhancement of Preventive Monitoring

To eliminate bribery or corruption, HF seeks to root out the fundamental causes by various means encompassing systems, organizations, and human resource management. It prevents any potential wrong-doing involving cash by means of the comprehensive account deposit system, and it is encouraging clean business operation upon dealing with credit guarantees for home builders by garnering commitment to ethical management and pledges to clean operation from the business representatives and HF's staff.

Dissemination of Ethical Management Practice

For dissemination of spontaneous practice of ethical management, HF selected ethical management as one of its five management philosophies and continually publicizes the CEO's determination to realize ethical management. In addition, departments in charge of human rights, labor, environment, anti-corruption, and sustainable management were selected and their responsibilities were clarified. HF faithfully complies with the obligations of United National Global Compact (UNGC) and encourages its executives and employees to practice ethical management in their daily activities by finding and sharing best practices of ethical management.

Enhancement of Management Transparency

HF discloses business information in strict accordance with the OECD disclosure criteria by means of a well-designed management disclosure system. HF undertakes internal inspection on the procedures and contents of public disclosure of its management information. By holding customer satisfaction surveys, it endeavors to sharpen the competitive edge of its business information disclosure system as well as enhancing customer satisfaction with its management information.

INTERNAL CONTROLS

HF conducts audits by its own system pursuant to the principle of independency in terms of organizations, evaluations, and budgets. Through allocation of responsibilities within organizations according to the principle of mutual checks and balances, it exercises effective internal control. HF practices transparent management through a range of accident prevention mechanisms and concentrates on weak areas where risks are high.

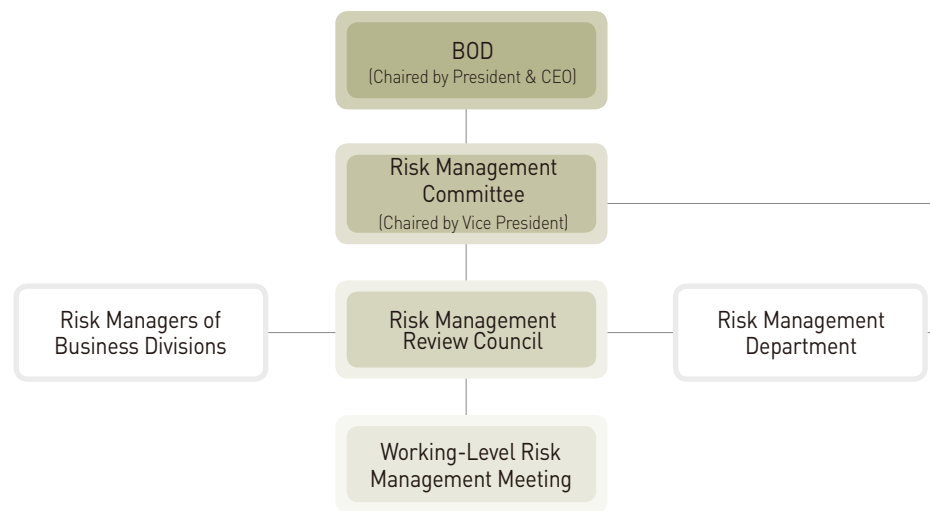
The standing auditor functions independently of HF's decision-making and execution bodies and attends the BOD and the Management Committee meetings and can express his/her opinions on internal controls. The auditing office, a unit directly under the auditor, operates independently of other organizational units and fosters personnel specialized in auditing under a long-term personnel plan. The auditing office conducts comprehensive and special audits of the organization and overall operations as well as regular audits of major operations undertaken by each department with the intent of preventing accidents and irregularities.

HF systematically allocates, modifies, and controls responsibilities in accordance with its organizational management regulations such as the rules regarding its rank system, duties, and authorities. Each position is duly invested with the authority to perform its functions and is held accountable. The budget planning departments and the budget execution departments are separated for internal control.

To strengthen its internal control for areas where accidents and irregularities are most likely to occur, HF introduced a financial transaction auditing system to monitor occurrences of peculiar transactions prone to error and mishandling, and operates a real-time financial account monitoring system (EAGLE-I) through which details of all transactions of HF's financial accounts and balances thereof are checked to prevent any potential financial error or mishandling in advance. In addition, to ensure maximum transparency and objectivity in asset management, the fund management deliberation committee allows participation of private external experts as members.

HF outsourced system inspection to external expert institutions in 2009 for maintenance of the efficiency of the internal control system. It undertakes regular education and training for audit and administrative personnel for each department and office and conducts a survey on internal audit and inspection to identify areas of the internal control system that need to be improved. In December 2009, HF declared the Code of Conduct for Auditors as well as the auditing mission and vision so that all officers and employees could understand the company's auditing strategies.

[Organizational Chart for Risk Management]



RISK MANAGEMENT

Risk Management Organization

To ensure management stability through risk management at an appropriate level of risk relative to equity capital and for sustainable growth, HF operates an independent and professional risk management organization system by which it comprehensively and proactively manages various risks and uncertainties that may arise in management in general.

As the top decision-making organization in risk management, the Risk Management Committee is set up as a specialized subcommittee of the BOD to oversee corporate-wide risk management affairs. To ensure independency and transparency, non-standing directors are included on the Risk Management Committee as members. The committee draws up basic policies and strategies with regards to risk management and decides on the total limit of risk capital and the limits for each risk type. To assist the committee, HF operates the Risk Management Review Council, which deliberates and makes decisions on individual risk limits for each risk type, issuance of securitization bonds, mortgage portfolio, development of new products, and introduction of new systems as well as the Working-Level Risk Management Meeting, a working-level consultation body.

Separation of the risk management organization from the business organizations ensures that the organization properly executes checks and balances. To prevent an excessive concentration of risk in any certain area, it decentralizes and allocates risks appropriately in consideration of equity capital as well as each business unit's profit generation capacity. Then, it monitors compliance and takes into account the findings in maintaining an appropriate level of risk throughout the corporation.

Major Risks and Management System

Major risks subject to HF's management are credit risk, market risk, liquidity risk, interest rate risk, and operational risk related to securitization, housing finance credit guarantees, and reverse mortgage guarantees.

Credit Risk

Credit risk is the risk of loss caused by a debtor's non-payment of a loan or failure to perform an obligation under a contract. HF sets up a credit policy for each business area and operates a credit evaluation system to manage credit risk. To manage credit risk at an appropriate level, it sets and allocates the risk capital limits for business units and assesses them regularly to ensure their compliance with the limits.

To increase the soundness of loans and guarantee assets, HF developed and operates credit assessment systems (MSS and CSS) for each business area. It improves the systems regularly by adopting up-to-date information to ensure more precise credit rating. HF also developed its own credit risk assessment model to assess the credit risk related to loans and guarantees and the risk related to MBS payment guarantees, supporting efficient capital utilization.

Market Risk

Market risk is the risk of loss due to unexpected changes in the market including changes in interest rates, stock prices, and foreign exchange rates. To manage this risk, HF sets limits on the risk and allocates the risk capital appropriately, and through the market risk management system, continuously monitors and reports whether the risk limits are conformed daily, monthly, and quarterly and how much of the limits are reached to enable effective and rapid response to the risk when necessary.

Liquidity Risk

Liquidity risk is the risk of lacking sufficient liquidity due to mismatch of maturities in financing and management of funds and occurrence of unexpected needs for capital. Through the asset-liability management (ALM) system and the structuring model system, cash flow analysis, liquidity gap and liquidity ratio monitoring, and simulation analysis of subrogated payment projection for trust accounts are conducted for systematic management of liquidity risk to secure sufficient liquidity at all times.

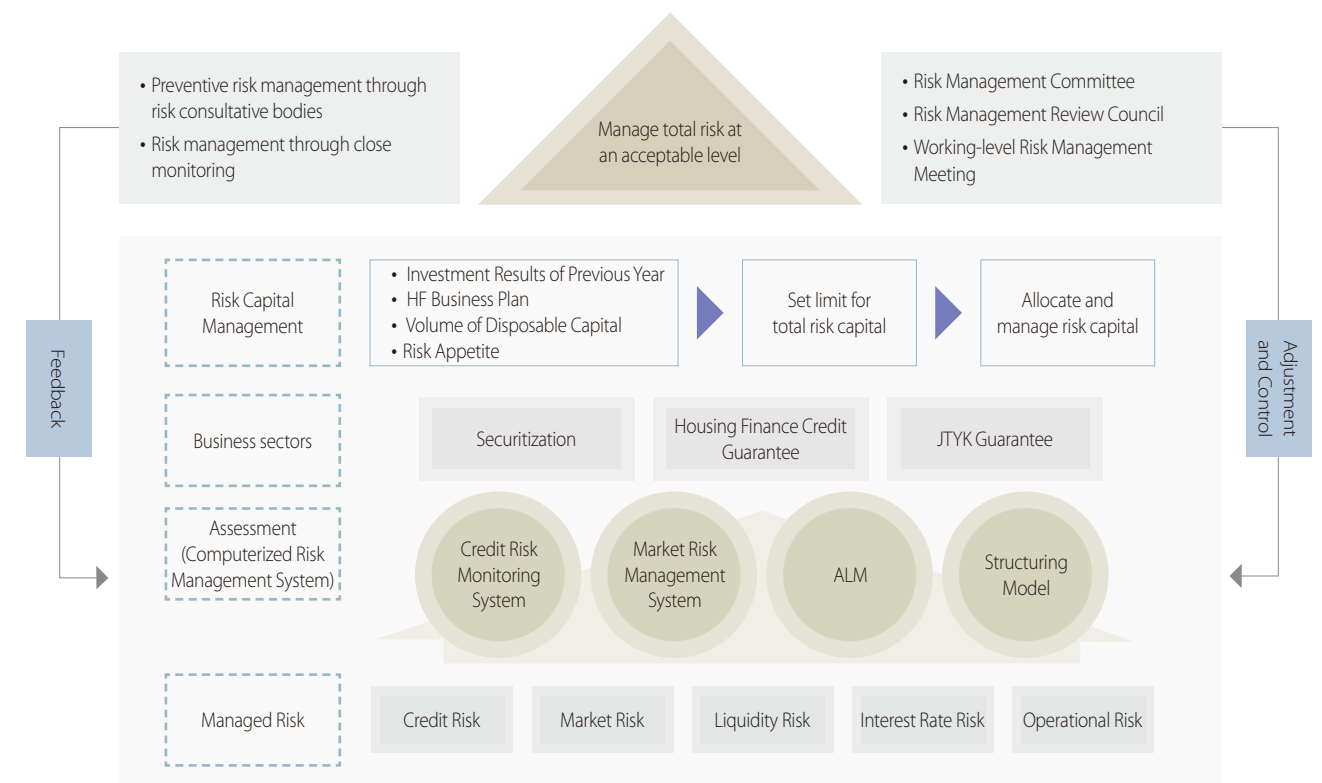
Interest Rate Risk

Interest rate risk is the risk of falling net asset worth and net interest margin due to increased uncertainty in cash flows of assets and liabilities following changes in market rates. To manage this risk, appropriate limits are set on interest rate risk capital, which is allocated and monitored continuously. Net interest margin, maturity gap, interest rate levels for balanced profit and loss, etc. are assessed and interest rate policy and ALM strategy to maximize net interest rate margin are set up and executed within the tolerable risk limits.

Operational Risk

Operational risk is the risk of loss due to inappropriate or wrong internal procedures, errors by personnel and systems, or external occurrences. The possibility of occurrence of operational risk is minimized through establishment of effective internal control procedures, contingency training for system failures, and ethics training for officers and employees.

[Organization-wide Risk Management System]



SOCIAL CONTRIBUTION

HF is heavily engaged in community service activities to establish its image as a good corporate citizen that fulfills its social responsibilities and is loved and trusted by the people. To encourage voluntary participation of all the employees, HF organized the Bogeumjari Volunteer Group in May 2006, and to cover the costs of community service activities, it deducts a certain amount from salaries every month to go into the Bogeumjari Fund.

In 2009, HF conducted strategic community service activities aligned with its major businesses including housing welfare and support for seniors, helping to spread the "culture of unity and sharing."

HF-Rural Village Sisterhood

In May 2009, HF visited a sisterhood village in Chocheon-ri, Eumseong, North Chungcheong Province and helped plant rice and set up a milestone in the village. In September, it invited the villagers to Seoul to hold a tourism event.

Briquette Delivery

In July 2009, HF conducted a briquette delivery campaign in Yongsan-gu, Seoul to support seniors living alone and underprivileged households suffering in the humid weather during the monsoon season. In November, it delivered 10,000 briquettes to low-income households suffering from lack of heat at the threshold of winter.

Habitat for Humanity

In June and September 2009, HF employees participated in Habitat for Humanity activities in Asan, South Chungcheong Province where they delivered donations to the Asan branch of Habitat for Humanity and performed tasks such as moving timber. They also visited the Dream Children's Center in Sindang, which provides free meals and education and counseling services to underprivileged children, and helped repair dilapidated facilities.

Support for Bluebird Fund

HF delivered a donation to support undernourished children at a ceremony where it signed an agreement with the Child Fund Korea to support the Bluebird Fund.

Community Service during Korean Thanksgiving Week

In September 2009, HF conducted massive community service activities after declaring the third week of September as a community service campaign week, in celebration of Korean Thanksgiving. The headquarters of HF undertook four campaigns of "Thanksgiving rice sharing," "happy lunch," "beautiful holidays," and "visit to lonely seniors." Employees of regional branches held unique activities associated with product promotion including visiting senior welfare centers.

Love Blood Drive

HF conducts the Love Blood Drive once every six months. In December 2009, the corporation actively took part in blood drives led by the government to help resolve the blood shortage caused by the spread of H1A1.





A Steadfast Promise to the Customers

HF is creating a new paradigm in housing finance based on its superb capabilities and expertise. HF promises that it will always be creative and versatile in order to be the most reliable financial partner to low and moderate-income households for life and lead the growth of the housing finance market in Korea.

2009 FINANCIAL REVIEW

Summary
Financial Statements

Overview of Financial Statements

In order to ensure transparency and maintain reliability in business management, HF had the financial statements of HF proprietary accounts, trust accounts, and Housing Finance Credit Guarantee Fund including the reverse mortgage guarantee accounts reviewed and audited by an external accounting firm. The financial statements of HF are to be submitted to the chair of the Financial Services Commission with the approval of the BOD and the Housing Finance Management Committee pursuant to paragraph 2, Article 43 (Submission of financial statements) of the Act on the Management of Public Institutions. The financial statements of Housing Finance Credit Guarantee Fund are also to be submitted to the chairperson of the Financial Services Commission following the approval of the BOD and the Housing Finance Management Committee pursuant to paragraph 1 of Article 73 (Settlement of Funds) and paragraph 2 of Article 74 (Deliberative Council on Fund Management) of the National Finance Act.

The financial statements of the Housing Finance Credit Guarantee Account and the Reverse Mortgage Guarantee Account that have been settled and reported as separate accounts in accordance with the GAAP were consolidated into a single account of Housing Finance Credit Guarantee Fund (HFCGF) for report with the introduction of the National Accounting Standards in 2009.

The financial statements of HF and HFCGF for fiscal year 2009 were audited by Ernst & Young HanYoung Korea, which declared all of them “fair.”

Korea Housing Finance Corporation (HF Proprietary Account)

At the end of 2009, the assets of HF's proprietary accounts totaled KRW3,444 billion, which was an increase of KRW874 billion for the year. This increase was due to the increase in mortgage portfolio and securities. Liabilities totaled KRW2,559 billion, up by KRW440 billion from the previous year. Total equity increased by KRW434 billion to KRW885 billion due to a paid-in capital increase of KRW400 billion and net income for the year amounting to KRW36 billion.

(KRW in millions)

	2009	2008
Cash and due from banks	71,959	65,313
Securities	482,953	264,136
Loans receivable	2,795,500	2,049,801
Other assets	93,428	190,630
Total Assets	3,443,840	2,569,880
Borrowing liabilities	2,484,782	1,939,701
Other liabilities	74,141	178,789
Total liabilities	2,558,923	2,118,490
Paid-in capital	1,076,600	676,600
Retained earnings	(188,504)	(224,250)
Capital adjustments, etc.	(3,179)	(960)
Total equity	884,917	451,390
Total liabilities and equity	3,443,840	2,569,880

In 2009, net income of HF proprietary accounts totaled KRW36 billion. Total income was KRW441 billion, up 22 percent, as the amount of interest income, gain on disposal of loans receivable, and gain on derivatives transactions and valuation increased significantly. Total expenses diminished by 35 percent during the year to KRW406 billion as the loss on derivative transactions and valuation dropped dramatically with the calming of the global financial instability.

(KRW in millions)

	2009	2008
Interest income	174,383	73,441
Fees and commission income	65,507	48,677
Gain on disposal of loans receivable	65,415	4,985
Gain on derivatives transactions and valuation	94,419	36,828
Settlement revenue	36,949	39,490
Others	4,620	159,363
Total revenue	441,293	362,784
Interest expense	122,578	49,203
Fee expenses	10,637	24,938
Loss on disposal of loans receivable	78,128	53,874
Loss on derivatives transactions and valuation	79,394	411,855
Loss on transaction and valuation of fair value hedged items	49,807	-
Provision of allowance for possible loan losses and guarantees	11,722	8,832
General and administrative expenses	65,782	69,717
Income tax expenses (benefits)	(12,501)	4,172
Total expenses	405,547	622,591
Net income (loss)	35,746	(259,807)

Korea Housing Finance Corporation (Integrated Trust Account)

The large volume of securities issued in 2009 and the effective asset management resulted in an increase in accumulated gains on trust. Total assets and liabilities of the trust account rose by 52 percent for the year to KRW25,286 billion.

	(KRW in millions)	
	2009	2008
Cash and due from banks	2,081,434	1,120,886
Securities	1,602,132	1,595,113
Securitized assets	21,475,060	13,800,653
Other assets	120,565	87,673
Accumulated losses on trust	6,968	4,228
Total Assets	25,286,159	16,608,553
Securitized liabilities	24,586,333	16,038,038
Other liabilities	195,482	171,044
Accumulated gains on trust	504,344	399,471
Total liabilities	25,286,159	16,608,553

Total revenue and expenses of the trust account increased by KRW221 billion from the previous year due to increased issuance of MBS. Operating revenue amounted to KRW1,311 billion, which was KRW217 billion more than during the previous year, due to an increase in interest on securitized assets (mortgage loans and student loans), etc. Operating expenses recorded KRW1,207 billion, which was KRW269 billion more than during the previous year, due to an increase in interest expenses on MBS and SLBS, etc. Trust profits dropped by KRW48 billion from the previous year as a result of a decrease in the reinvestment yield, which was caused by a decline in interest rates.

	(KRW in millions)	
	2009	2008
Operating revenue	1,310,587	1,093,877
Interest on due from banks and securities	157,562	136,901
Interest on mortgage loans and student loans	1,121,352	900,396
Commission income. etc	31,673	56,580
Trust losses	4,674	65
Total revenue	1,315,261	1,093,942
Operating expenses	1,207,157	938,049
Interest on MBS and SLBS	1,061,294	824,080
Fees and commission	132,372	112,917
Other operating expenses	13,491	1,052
Non-operating expenses	26	-
Trust profits	108,078	155,893
Total expenses	1,315,261	1,093,942

Housing Finance Credit Guarantee Account

As of the end of 2009, the total assets were KRW2,064 billion. With an increase in current assets and investment assets, total assets rose by KRW480 billion for the year. Total liabilities fell by KRW83 billion to KRW393 billion due to a decline in long-term borrowings following repayment of borrowings and a decrease in the foreign exchange rate, and a decrease in the allowance for guarantees following a fall in default of guaranteed loans. Net assets totaled KRW1,672 billion, which was KRW563 billion more than at the end of the previous year.

(KRW in millions)		
	2009	2008
Current assets	1,276,276	1,103,659
Investment assets	774,790	463,595
Property and equipment	4,885	7,727
Intangible assets	60	125
Other non-current assets	8,339	8,875
Total Assets	2,064,350	1,583,981
Current liabilities	93,368	88,247
Long-term borrowings	58,380	88,025
Long-term allowance	221,462	276,927
Other non-current liabilities	19,293	22,260
Total liabilities	392,503	475,459
Basic net assets	3,210,596	3,210,596
Retained earnings (deficits)	(1,545,499)	(2,102,053)
Adjustment for net assets	6,750	(21)
Total net assets	1,671,847	1,108,522
Total liabilities and net assets	2,064,350	1,583,981

Total revenue of the Housing Finance Credit Guarantee Account in 2009 was KRW622 billion and total expenses were KRW66 billion, generating a net inflow of KRW557 billion. Total revenue included KRW112 billion in program revenue including guarantee fee income, KRW85 billion in non-allocated revenue including interest income, and KRW425 billion in non-exchange revenue including contributions from financial institutions, etc. Total expenses included KRW38 billion in program cost including provision for indemnity rights write-offs, KRW9 billion in general and administrative expenses including labor costs and administrative costs, and KRW19 billion in non-allocated expenses including interest expenses on borrowings.

(KRW in millions)	
	2009
I . Program cost	38,399
II . Program revenue	112,144
III . General and administrative expenses	8,775
IV . Non-allocated expenses	18,678
V . Non-allocated revenue	84,779
VI . Net cost for financial management (I - II + III + IV - V)	(131,071)
VII . Non-exchange revenue	425,483
VIII . Result of financial management (VI - VII)	(556,554)

Reverse Mortgage Guarantee Account

Total assets of the reverse mortgage guarantee account amounted to KRW22 billion, up by KRW5 billion from the previous year due to an increase in bank deposits. Total liabilities amounted to KRW1 billion, up by KRW501 million from the previous year due to an increase in allowance for possible guarantee loss. Net assets totaled KRW21 billion, which was KRW5 billion more than at the end of the previous year.

(KRW in millions)		
	2009	2008
Current assets	15,564	13,987
Investment assets	4,300	-
Property and equipment	2,070	2,660
Total Assets	21,934	16,647
Current liabilities	73	129
Long-term allowance	1,084	527
Total liabilities	1,157	656
Basic net assets	16,325	16,325
Retained earnings (deficits)	4,452	(334)
Net assets	20,777	15,991
Total liabilities and net assets	21,934	16,647

In 2009, total revenue of the reverse mortgage guarantee account recorded KRW7,696 million and total expenses were KRW5,910 million, for a net inflow of KRW1,786 million as a result of financial management. Total revenue included KRW6,737 million in program revenue such as guarantee fee income and KRW867 million in non-allocated revenue such as a gain on management of surplus capital. Total expenses included KRW4,341 million in total program costs including provision for JTYK (reverse mortgage) guarantee, KRW920 million in general and administrative expenses including labor costs and administrative costs, and KRW649 million in non-allocated expenses such as depreciation.

(KRW in millions)	
	2009
I . Program cost	4,341
II . Program revenue	6,737
III . Administrative and operating expenses	920
IV . Non-allocated expenses	649
V . Non-allocated revenue	867
VI . Net cost for financial management (I - II + III + IV - V)	(1,694)
VII . Non-exchange revenue	92
VIII . Result of financial management (VI - VII)	(1,786)

Independent Auditors' Report



Ernst & Young HanYoung
10-2 Yeouido-dong, Yeongdeungpo-gu, Seoul
Tel: (02) 3787- 6600 Fax: (02) 783-5890

To the BOD of Korea Housing Finance Corporation

February 17, 2010

We have audited the accompanying statements of financial position of Korea Housing Finance Corporation (the "Corporation") as of December 31, 2009 and 2008, and the related statements of income, disposition of accumulated deficit, and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2009 and 2008, the results of its operations, disposition of accumulated deficit, the changes in equity and its cash flows for the years then ended, in conformity with accounting principles outlined in Article 39 of the Act on the Management of Public Institutions (which represent the accounting rules required for public organizations and quasi-government agencies) in the Republic of Korea.

Seung Wha Gweon
CEO

This audit report is effective as of Feb 17, 2010, the auditors' report date. Certain material subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements. Accordingly the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Summary Statements of Financial Position

(HF Proprietary Account)

As of December 31, 2009 and 2008

(KRW in millions)

	2009	2008	Variance
I. Cash and due from banks	71,959	65,313	6,646
Due from banks	71,959	65,313	6,646
II. Securities	482,953	264,136	218,817
Available-for-sale securities	79,645	-	79,645
Held-to-maturity securities	403,308	264,136	139,172
III. Loans receivable	2,795,500	2,049,801	745,699
Mortgage loans	2,803,343	2,054,961	748,382
(Allowance for loan losses)	(7,843)	(5,160)	(2,683)
IV. Other assets	93,428	190,630	(97,202)
Advance payments on acceptance and guarantees	9,758	20,509	(10,751)
Derivative assets	3,402	-	3,402
Others	80,268	170,121	(89,853)
Total assets	3,443,840	2,569,880	873,960
I. Borrowing liabilities	2,484,782	1,939,701	545,081
Short-term borrowings	260,000	300,000	(40,000)
Bonds sold under repurchase agreements	185,000	140,000	45,000
Bonds payable	2,039,782	1,499,701	540,081
II. Other liabilities	74,141	178,789	(104,648)
Allowance for possible losses on acceptance and guarantees	37,954	29,114	8,840
Derivative liabilities	16,071	105,616	(89,545)
Others	20,116	44,059	(23,943)
Total liabilities	2,558,923	2,118,490	440,433
I. Capital Stock	1,076,600	676,600	400,000
Paid-in capital	1,076,600	676,600	400,000
II. Retained earnings	(188,504)	(224,250)	35,746
Legal reserve	-	7,367	(7,367)
Accumulated deficits	(188,504)	(231,617)	43,113
III. Capital adjustment	(2,880)	(960)	(1,920)
Discount on stock issuance	(2,880)	(960)	(1,920)
IV. Accumulated other comprehensive loss	(299)	-	(299)
Gains (losses) on valuation of available-for-sale securities	(299)	-	(299)
Total equity	884,917	451,390	433,527
Total liability and equity	3,443,840	2,569,880	873,960

Summary Statements of Income

(HF Proprietary Account)

For the years ended December 31, 2009 and 2008

(KRW in millions)

	2009	2008	Variance
I. Operating revenue	436,716	362,576	74,140
(1) Interest income	174,383	73,441	100,942
Interest on due from banks and securities	23,617	22,110	1,507
Interest on loans receivable	150,025	51,145	98,880
Others	741	186	555
(2) Fees and commission income	65,507	48,677	16,830
Guarantee Fees & Brokerage fees	52,693	42,914	9,779
Others	12,814	5,763	7,051
(3) Other operating revenue	159,877	200,968	(41,091)
Gain on disposal of loan receivables	65,415	4,985	60,430
Gain on derivatives transactions and valuation	94,419	36,828	57,591
Valuation gain on fair value hedged items	-	159,141	(159,141)
Others	43	14	29
(4) Settlement revenue	36,949	39,490	(2,541)
II. Operating expenses	418,048	618,419	(200,371)
(1) Interest expense	122,578	49,203	73,375
Interest on borrowings	10,896	34,166	(23,270)
Interest on bond payable	111,682	15,037	96,645
(2) Fee expenses	10,637	24,938	(14,301)
(3) Other operating expenses	219,051	474,561	(255,510)
Loss on disposal of loans receivable	78,128	53,874	24,254
Loss on derivatives transactions and valuation	79,394	411,855	(332,461)
Loss on transaction and valuation of fair value hedged items	49,807	-	49,807
Provision of allowance for possible loan losses and guarantees	11,722	8,832	2,890
(4) General and administrative expenses	65,782	69,717	(3,935)
III. Operating income (loss)	18,668	(255,843)	274,511
IV. Non-operating income	4,577	208	4,369
V. Income (loss) before income taxes	23,245	(255,635)	278,880
VI. Income tax expenses (benefits)	(12,501)	4,172	(16,673)
VII. Net income (loss)	35,746	(259,807)	295,553

Summary Statements of Financial Position

(Integrated Trust Account)

As of December 31, 2009 and 2008

(KRW in millions)

	2009	2008	Variance
I. Cash and due from banks	2,081,434	1,120,886	960,548
II. Securities	1,602,132	1,595,113	7,019
III. Securitized assets	21,475,060	13,800,653	7,674,407
(1) Mortgage loans	15,234,810	9,232,315	6,002,495
(2) Student loans	6,240,250	4,568,338	1,671,912
IV. Other assets	120,565	87,673	32,892
V. Accumulated losses on trust	6,968	4,228	2,740
Total assets	25,286,159	16,608,553	8,677,606
I. Securitized liabilities	24,586,333	16,038,038	8,548,295
(1) MBS	17,906,337	11,183,492	6,722,845
(2) SLBS	6,670,204	4,833,959	1,836,245
(3) Borrowings from HF	9,792	20,587	(10,795)
II. Other liabilities	195,482	171,044	24,438
III. Accumulated gains on trust	504,344	399,471	(104,873)
Total liabilities	25,286,159	16,608,553	8,677,606

Summary Statements of Income

(Integrated Trust Account)

For the years ended December 31, 2009 and 2008

(KRW in millions)

	2009	2008	Variance
I. Operating revenue	1,310,587	1,093,877	216,710
Interest on due from banks and securities	157,562	136,901	20,661
Interest on mortgage loans and student loans	1,121,352	900,396	220,956
Commission income	21,508	13,763	7,745
Other operating revenue	10,165	42,817	(32,652)
II. Trust losses	4,674	65	4,609
Total revenue	1,315,261	1,093,942	221,319
I. Operating expenses	1,207,157	938,049	269,108
Interest on MBS & SLBS	1,061,294	824,080	237,214
Fees and commission	132,372	112,917	19,455
Other operating expenses	13,491	1,052	12,439
II. Non-operating expenses	26	-	26
III. Trust profits	108,078	155,893	(47,815)
Total expenses	1,315,261	1,093,942	221,319

Independent Auditors' Report



Ernst & Young HanYoung
10-2 Yeouido-dong, Yeongdeungpo-gu, Seoul
Tel: (02) 3787- 6600 Fax: (02) 783-5890

To the BOD of Housing Finance Credit Guarantee Fund:

February 16, 2010

We have audited the accompanying statements of financial position of Housing Finance Credit Guarantee Fund (hereinafter referred to as "HFCGF") as of December 31, 2009 and the related statements of financial management and changes in net assets for the year then ended. These financial statements are the responsibility of HFCGF management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the special purpose auditing standards of the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HFCGF as of December 31, 2009, and the results of its operations and the changes in net assets for the fiscal year then ended, in conformity with the National Accounting Standards.

The following shall not affect the audit opinion but may serve as a reference for reasonable decision-making by the users of this Audit Report.

(1) Introduction of the National Accounting Standards

As described in Note 2 of the Financial Statements, the National Accounting Standards as provided for by paragraph 1, Article 11 of the National Accounting Act is applied to HFCGF starting from fiscal year 2009.

(2) Opening Statements of Financial Position

Although not attached herein, the previous financial statements of HFCGF were made in conformity with the National Finance Act and applicable regulations and the accounting standards generally accepted in the Republic of Korea (hereinafter referred to as the "former standards") before the introduction of the National Accounting Standards. We audited the financial statements of fiscal year 2008 of HFCGF prepared in conformity with the former standards and declared them "fair" in the audit report of February 17, 2009. The opening statement of financial position as of January 1, 2009 was presented for comparison: the items on the balance sheet at the end of the previous period made in accordance with the former standards were redefined and presented as the items of the statements of financial position at the end of the current period.

(3) Differences between Accounting Standards

HFCGF proactively handled the differences of accounting standards between the National Accounting Standards and the former standards as below.

- ① The contributions that should be disposed of as non-exchange revenue in accordance with Article 28 of the National Accounting Standards were accounted for as non-exchange revenue beginning with the amounts accruing this period. Accordingly, the amounts contributed under the obligation to pay money except taxes charged according to the laws in connection with specific public projects, regardless of the provision of goods and services as provided for by Article 2 of the Framework Act on the Management of Charges, before the effective date of the National Accounting Standards continue to be included in basic net assets.
- ② As for the short-term investment securities and long-term investment securities that were categorized as trading securities and securities under the equity method in conformity with the former standards, their book value according to the former standards as of the end of the previous period was considered as the acquisition cost.

Seung Wha Gweon
CEO

Summary Statements of Financial Position
(Integrated Housing Finance Credit Guarantee Fund)

As of December 31, 2009 and 2008

(KRW in millions)

	2009	2008	Variance
I. Current assets	1,291,841	1,117,646	174,195
1. Cash and cash equivalents	10,972	31,001	(20,029)
2. Short-term deposits	322,800	293,500	29,300
3. Short-term investment securities	448,308	341,517	106,791
4. Account receivables	16,928	15,455	1,473
5. Indemnity rights	1,801,144	1,881,141	(79,997)
(Allowance for write-offs)	(1,309,795)	(1,448,486)	138,691
6. Other current assets	1,484	3,518	(2,034)
II. Investment assets	779,090	463,595	315,495
1. Long-term deposits	184,300	105,100	79,200
2. Long-term investment securities	594,790	358,495	236,295
III. Property and equipment	6,954	10,387	(3,433)
IV. Intangible assets	60	125	(65)
V. Other non-current assets	8,339	8,875	(536)
Total assets	2,086,284	1,600,628	485,656
I. Current liabilities	93,441	88,377	5,064
1. Long term borrowings transferred	23,352	25,150	(1,798)
2. Currency derivatives	12,638	12,184	454
3. Unearned revenue	50,544	43,691	6,853
4. Others	6,907	7,352	(445)
II. Long-term borrowings	58,380	88,025	(29,645)
III. Long-term allowance	222,546	277,454	(54,908)
1. Allowance for guarantees	218,479	272,208	(53,729)
2. Accrued severance benefits	4,067	5,246	(1,179)
IV. Other non-current liabilities	19,293	22,260	(2,967)
Total liabilities	393,660	476,116	(82,456)
I. Basic net assets	3,226,921	3,226,921	-
II. Retained earnings (deficits)	(1,541,048)	(2,102,388)	561,340
1. Retained earnings carried forward	(2,102,388)	(2,160,855)	58,467
2. Result of financial management	558,340	58,467	499,873
3. Contributions from the government	3,000	-	3,000
III. Adjustments for net assets	6,751	(21)	6,772
1. Valuation gain (loss) on investment securities	6,751	(21)	6,772
Total net assets	1,692,624	1,124,512	568,112
Total liabilities and net assets	2,086,284	1,600,628	485,656

This audit report is effective as of Feb 16, 2010, the auditors' report date. Certain material subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements. Accordingly the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Summary Statements of Financial Management

(Integrated Housing Finance Credit Guarantee Fund)

For the year ended December 31, 2009

(KRW in millions)

	2009	
I. Program cost		42,740
1. Guarantee-related expenses	2,881	
(1) Provision for JTYK (reverse mortgage) guarantee	507	
(2) Management expenses for write-offs	2,374	
2. Provision for indemnity rights write-offs	11,157	
3. General and administrative expenses	24,400	
4. Fees and commission	4,133	
5. Refunds	169	
II. Program revenue		118,881
1. Guarantee fees	62,023	
2. Reversal of allowance	54,236	
3. Others	2,622	
III. General and administrative expenses		9,695
IV. Non-allocated expenses		19,328
1. Currency derivatives transaction and valuation loss	11,163	
2. Interest expense	2,906	
3. Depreciation	3,744	
4. Others	1,515	
V. Non-allocated revenue		85,647
1. Interest income	76,575	
2. Gain on foreign currency translation	6,293	
3. Gain on foreign currency transaction	964	
4. Others	1,815	
VI. Net cost for financial management (I – II + III + IV – V)		(132,765)
VII. Non-exchange revenue		425,575
1. Contributions from financial institutions	421,129	
2. Others	4,446	
VIII. Result of financial management (VI – VII)		(558,340)

Summary Statements of Changes in Net Assets

(Integrated Housing Finance Credit Guarantee Fund)

For the year ended December 31, 2009

(KRW in millions)

	Basic net assets	Retained earnings (deficits)	Adjustments for net assets	Total
I. January 1, 2009	3,226,921	(2,102,388)	(21)	1,124,512
1. Reported amount	3,226,921	(2,102,388)	(21)	1,124,512
II. Result of financial management		(558,340)		(558,340)
III. Adjustments		3,000	6,772	9,772
1. Valuation gain (loss) on investment securities			6,772	6,772
2. Contributions from the government		3,000		3,000
IV. December 31, 2009 (I – II + III)	3,226,921	(1,541,048)	6,751	1,692,624

Summary Statements of Financial Position

(Housing Finance Credit Guarantee Account)

As of December 31, 2009 and 2008

(KRW in millions)

	2009	2008	Variance
I. Current assets	1,276,276	1,103,659	172,617
1. Cash and cash equivalent	10,518	30,191	(19,673)
2. Short-term deposits	308,000	280,500	27,500
3. Short-term investment securities	448,307	341,517	106,790
4. Account receivables	16,618	15,279	1,339
5. Indemnity rights	1,801,135	1,881,131	(79,996)
(Allowance for write-offs)	(1,309,785)	(1,448,476)	138,691
6. Other current assets	1,483	3,517	(2,034)
II. Investment assets	774,790	463,595	311,195
1. Long-term deposits	180,000	105,100	74,900
2. Long-term investment securities	594,790	358,495	236,295
III. Property and equipment	4,885	7,727	(2,842)
III. Intangible assets	60	125	(65)
IV. Other non-current assets	8,339	8,875	(536)
Total assets	2,064,350	1,583,981	(480,369)
I. Current liabilities	93,368	88,247	5,121
1. Long-term borrowings transferred	23,352	25,150	(1,798)
2. Currency derivatives	12,638	12,184	454
3. Unearned revenue	50,525	43,685	6,840
4. Others	6,853	7,228	(375)
II. Long-term borrowings	58,380	88,025	(29,645)
III. Long-term allowance	221,462	276,927	(55,465)
1. Allowance for guarantees	217,707	271,944	(54,237)
2. Accrued severance benefits	3,755	4,983	(1,228)
IV. Other non-current liabilities	19,293	22,260	(2,967)
Total liabilities	392,503	475,459	(82,956)
I. Basic net assets	3,210,596	3,210,596	-
II. Retained earnings (deficits)	(1,545,499)	(2,102,053)	556,554
1. Retained earnings carried forward	(2,102,053)	(2,161,449)	59,396
2. Result of financial management	556,554	59,396	497,158
III. Adjustment for net assets	6,750	(21)	6,771
1. Valuation gain(loss) on investment securities	6,750	(21)	6,771
Total net assets	1,671,847	1,108,522	563,325
Total liabilities and net assets	2,064,350	1,583,981	480,369

Summary Statements of Financial Management

(Housing Finance Credit Guarantee Account)

For the year ended December 31, 2009

(KRW in millions)

	2009	
I. Program cost		38,399
1. Management expenses for write-offs	2,374	
2. Provision for indemnity rights write-offs	11,157	
3. General and administrative and expenses	20,566	
4. Fees and commission	4,133	
5. Refunds	169	
II. Program revenue		112,144
1. Guarantee fees	55,286	
2. Reversal of allowance	54,236	
3. Others	2,622	
III. General and administrative expenses		8,775
IV. Non-allocated expenses		18,678
1. Currency derivative transaction and valuation loss	11,163	
2. Interest expense	2,906	
3. Depreciation	3,095	
4. Others	1,514	
V. Non-allocated revenue		84,779
1. Interest income	75,707	
2. Gain from foreign currency translation	6,293	
3. Gain from foreign currency transaction	964	
4. Others	1,815	
VI. Net cost for financial management (I - II + III + IV - V)		(131,071)
VII. Non-exchange revenue		425,483
1. Contributions from financial institutions	421,037	
2. Others	4,446	
VIII. Result of financial management (VI - VII)		(556,554)

Summary Statements of Changes in Net Assets (Housing Finance Credit Guarantee Account)

For the year ended December 31, 2009
(KRW in millions)

	Basic net assets	Retained earnings (deficits)	Adjustments for net assets	Total
I. January 1, 2009	3,210,596	(2,102,053)	(21)	1,108,522
1. Reported amount	3,210,596	(2,102,053)	(21)	1,108,522
II. Result of financial management		(556,554)		(556,554)
III. Adjustments			6,771	6,771
1. Valuation gain (loss) on investment securities			6,771	6,771
2. Contributions from the government			-	-
IV. December 31, 2009(I - II + III)	3,210,596	(1,545,499)	6,750	1,671,847

Summary Statements of Financial Position (Reverse Mortgage Guarantee Account)

As of December 31, 2009 and 2008
(KRW in millions)

	2009	2008	Variance
I. Current assets	15,564	13,987	1,577
1. Cash and cash equivalents	454	810	(356)
2. Short-term deposits	14,800	13,000	1,800
3. Account receivables	310	177	133
II. Investment assets	4,300	-	4,300
1. Long-term deposits	4,300	-	4,300
III. Property and equipment	2,070	2,660	(590)
Total assets	21,934	16,647	5,287
I. Current liabilities	73	129	(56)
II. Long-term allowance	1,084	527	557
1. Allowance for guarantees	772	262	510
2. Accrued severance benefits	312	265	47
Total liabilities	1,157	656	501
I. Basic net assets	16,325	16,325	0
II. Retained earnings (deficits)	4,452	(334)	4,786
1. Retained earnings carried forward	(334)	594	(928)
2. Result of financial management	1,786	(928)	2,714
3. Contributions from the government	3,000	-	3,000
Total net assets	20,777	15,991	4,786
Total liabilities and net assets	21,934	16,647	5,287

Summary Statements of Financial Management
(Reverse Mortgage Guarantee Account)

For the year ended December 31, 2009		
(KRW in millions)		
	2009	
I. Program cost		4,341
1. Provision for JTYK (reverse mortgage) guarantees	507	
2. General and administrative expenses	3,834	
II. Program revenue		6,737
1. Guarantee fees	6,737	
III. General and administrative expenses		920
IV. Non-allocated expenses		649
1. Depreciation	649	
V. Non-allocated revenue		867
1. Interest income	867	
VI. Net cost for financial management (I – II + III + IV – V)		(1,694)
VII. Non-exchange revenue		92
1. Contributions from financial instructions	92	
VIII. Result of financial management (VI – VII)		(1,786)

Summary Statements of Changes in Net Assets
(Reverse Mortgage Guarantee Account)

For the year ended December 31, 2009				
(KRW in millions)				
	Basic net assets	Retained earnings (deficits)	Adjustments for net assets	Total
I. January 1, 2009	16,325	(334)	-	15,991
1. Reported amount	16,325	(334)	-	15,991
II. Result of financial management		(1,786)		(1,786)
III. Adjustments		3,000	-	3,000
1. Valuation gain(loss) on investment securities		-		-
2. Contributions from the government		3,000		3,000
IV. December 31, 2009 (I – II + III)	16,325	4,452	-	20,777

HISTORY

2004

March Korea Housing Finance Corporation established
Commenced the securitization and housing finance
credit guarantee business
Introduced the Bogeumjari Loan

June Issued mortgage-backed securities (MBS) for
the first time

2005

July Designated as a trustee company for the
Student Loan Credit Guarantee fund

October Issued student loan-backed securities
(SLBS) for the first time

2006

June Introduced the e-Bogeumjari
Loan

2007

May Cumulative supply of
Bogeumjari loans exceeded
KRW10 trillion

July Commenced the reverse
mortgage (JTYK) guarantee
business

August Cumulative issuance of MBS
exceeded KRW10 trillion

2008

September Issued corporate bonds for
the first time

December Provided guarantees for
P-CBO to support liquidity
of construction companies

2009

March Commenced mortgage-MBS
swap transactions to support
liquidity of financial institu-
tions

May Transferred the Student
Loan Credit Guarantee
Fund to the Korea Student
Aid Foundation
Paid-in capital reached
KRW1 trillion

November Obtained international
credit ratings from Moody's
and S&P

“Lifetime Financial Partner for
Low and Moderate-Income People”



Domestic Branches

BUSINESS DEPARTMENT

3rd Fl. YTN Bldg., 6-1, Namdaemunno 5-ga, Jung-gu,
Seoul (100-800)
Tel : 82-1688-8114

SEOUL NAMBU BRANCH

18th Fl. Keungil Tower Bldg., 677-25, Yeoksam-dong,
Gangnam-gu, Seoul (135-080)
Tel : 82-2-3290-6500

SEOUL BUKBU BRANCH

8th Fl. Duseung Bldg., 12-3 Chang-dong, Dobong-gu,
Seoul (132-898)
Tel : 82-2-3499-3300

BUSAN & ULSAN BRANCH

5th Fl. Korea Exchange Bank Bldg., 260-1,
Bujeon-dong, Busanjin-gu, Busan (614-844)
Tel : 82-51-804-3977

DAEGU & GYEONGBUK BRANCH

23th Fl. Samsung Finance Plaza, 110, Deoksan-dong,
Jung-gu, Daegu (700-742)
Tel : 82-53-430-2400

INCHEON BRANCH

7th Fl. Youngjin Bldg., Guwol-dong, Namdong-gu,
Incheon (405-221)
Tel : 82-32-441-2155

GWANGJU & JEONNAM BRANCH

8th Fl. LH Bldg., 1208-2, Chipyeong-dong, Seo-gu,
Gwangju (502-270)
Tel : 82-62-370-5700

DAEJEON & CHUNGNAM BRANCH

2nd Fl. National Credit Union Bldg., 949, Dunsan-dong,
Seo-gu, Daejeon (302-120)
Tel : 82-42-223-2620

GYEONGGI BRANCH

9th Fl. Seoul Guarantee Insurance Bldg., 1023-3,
Gwonseon-dong, Gwonseon-gu, Suwon-si, Gyeonggi-Do (441-822)
Tel : 82-31-898-5040

GANGWON BRANCH

2nd Fl. SC First Bank Bldg., 80, Jungangno 1-ga, Chuncheon-si,
Gangwon-do (200-041)
Tel : 82-33-259-3600

CHUNGBUK BRANCH

5th Fl. Taesan Bldg., 858-2, Bokdae-dong, Heungdeok-gu,
Cheongju-si, Chungbuk (361-270)
Tel : 82-43-299-2800

JEONBUK BRANCH

6th Fl. Korea Teachers Pension Bldg., 1573-1, Inhu-dong 2-ga,
Deokjin-gu, Jeonju-si, Jeonbuk (561-853)
Tel : 82-63-241-2779

GYEONGNAM BRANCH

6th Fl. Korean Teachers' Credit Union Bldg., 93-2, Jungang-
dong, Changwon-si, Gyeongnam (641-742)
Tel : 82-55-278-2900

JEJU BRANCH

3rd Fl. Daishin Securities Bldg., 251-1, Yeon-dong, Jeju-si,
Jeju-do (690-170)
Tel : 82-64-726-5160

SEOUL COLLECTION MANAGEMENT CENTER

18th Fl. Keungil Tower Bldg., Yeoksam 1-dong,
Gangnam-gu, Seoul (135-080)
Tel : 82-2-3290-6600





6-1 Namdaemunno 5-ga, Jung-gu, Seoul, Korea (100-998)
Tel : 82-1688-8114
www.hf.go.kr